CDC canada development corporation

1982 annual report

1982 ANNUAL REPORT

Canada Development Corporation controls a number of well-known companies active in oil and gas, mining, petrochemicals, office information products, life sciences, industrial automation, fishing and venture and expansion capital. CDC's initial share subscription came from the government of Canada but all financial requirements since 1974 have come from the private sector. There are more than 35,000 shareholders of the Corporation who have chosen to employ some of their savings to develop vigorous and profitable enterprises. In keeping with its distinct objectives, ownership of the Corporation's shares is restricted by law to citizens or residents of Canada and to Canadian-controlled companies. The largest single shareholder—the federal government with 48.2% of the voting power—has announced its intention to realize on its investment in CDC shares over time and as market conditions permit.

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VERSION FRANÇAISE

Pour obtenir la version française du présent rapport, prière d'écrire au Secrétaire, Corporation de développement du Canada, Suite 2272, 200 rue Granville, Vancouver, Colombie-Britannique V6C 1S4.

HIGHLIGHTS

Federal government plans to begin realizing on its CDC shares as market conditions permit (Page 5).

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Aggressive price competition characterize office products group (Page 25).

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Work continues on Polysar's expanded butyl facilities in Sarnia (Page 21)

	1982	1981
	(millions except share amounts)	
Revenue	**$4,011.3**	$3,136.4
Net income (loss)	**(125.8)**	85.1
Cash flow from operations	**169.4**	318.7
Working capital	**$ 659.6**	$ 784.1
Total assets	**7,525.9**	6,783.7
Long-term debt	**4,540.9**	3,862.0
Shareholders' equity	**1,111.9**	1,270.1
Capital expenditures	**$ 720.9**	$ 565.3
Research and development expenditures	**79.6**	58.2
Earnings (loss) per common share	**$ (4.52)**	$ 1.46
Fully-diluted earnings per common share		1.25

CORPORATE PHILOSOPHY AND GOALS

CDC was created by the federal government in 1971 through a special act of Parliament. Its unique and challenging mandate was:

- **to develop and maintain strong Canadian controlled companies in the private sector;**
- **to widen investment opportunities open to Canadians; and**
- **to operate profitably and in the best interests of all shareholders.**

The federal government's total investment during the Corporation's early years–as permitted under the CDC Act–was $332 million for which it received common shares of the Corporation. Private sector investors participated in two successful share offerings in 1975 and 1980 which have raised another $450 million in equity capital. Together, the partnership between the federal government and more than 35,000 private shareholders has grown into a Corporation holding assets with a book value of $7.5 billion.

The federal government now holds 48.2% of the Corporation's voting power. During 1982, the government announced its intention to realize on its CDC shares over time and in an orderly manner when market conditions allow an appropriate return on its investment. When the announcement was made, the federal government said that its main purpose as CDC's founding investor had been achieved now that the Corporation had become a major Canadian-controlled pool of capital.

A CANADIAN LEADER

In 1972, the directors of CDC established investment guidelines that still serve as an operating philosophy for management.

In the first place, CDC is an equity investor, converting its financial resources into controlling positions in underlying companies. By maintaining effective control of most companies in which it invests, CDC takes the necessary steps to protect and increase the value of its holdings.

CDC's investments are generally concentrated in a relatively few selected growth areas which over time are expected to outpace the expansion of the economy. Investments are in eight industries: oil and gas, mining, petrochemicals, office information products, fishing, life sciences, industrial automation and venture and expansion capital.

Special emphasis has been placed on large development projects, particularly those involving the upgrading of resources, a high technological base or having the potential for building a Canadian controlled presence in international markets. Canada already benefits from the international reputations that have been established for Polysar's rubber and plastics products, AES' word processing equipment, Connaught's vaccines and Bio-Research's contract toxicological testing services–just to name a few of the global ventures undertaken by CDC companies from their base in this country.

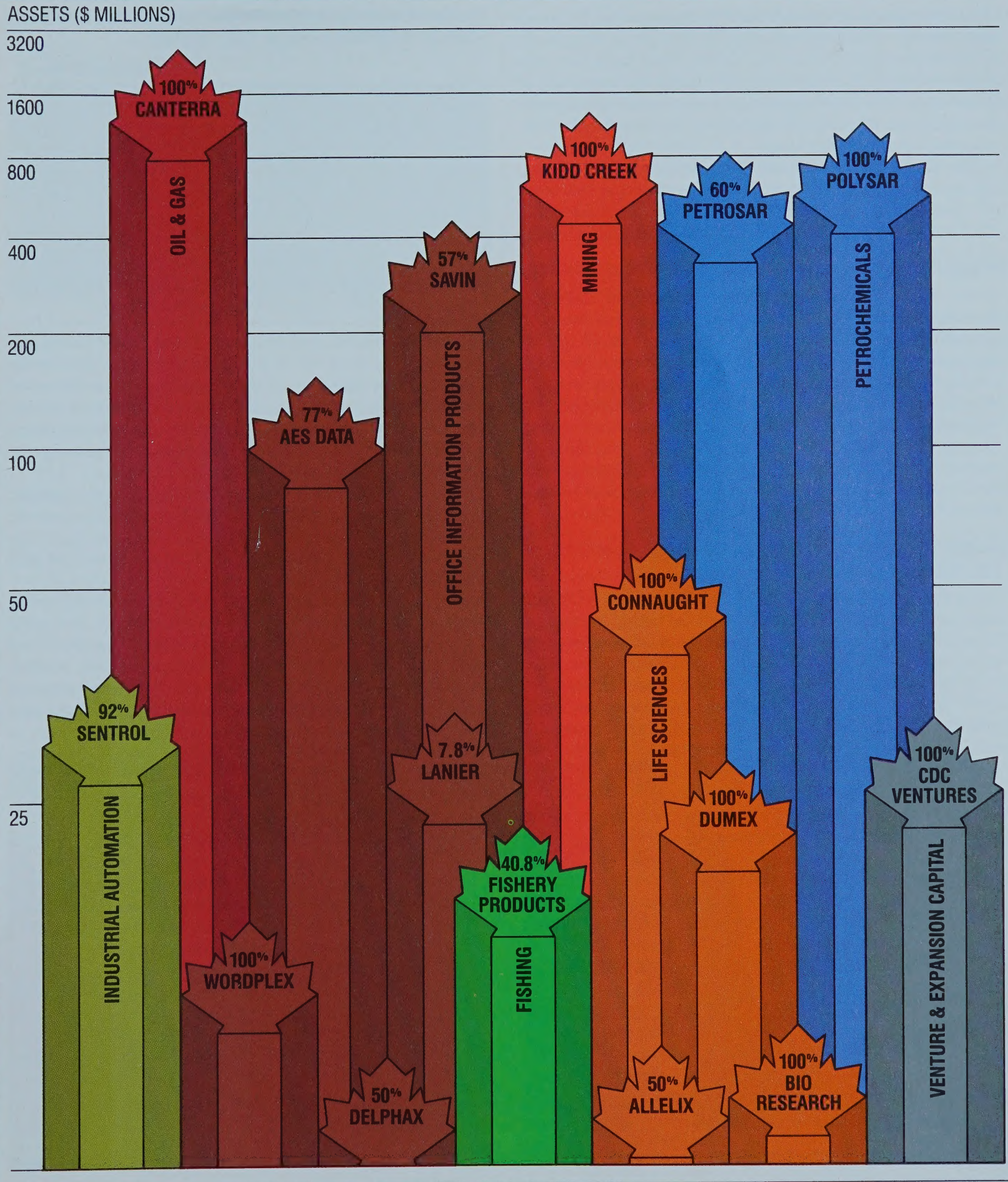
CDC has always focussed on longer-term and higher-risk ventures where the greatest returns ultimately will be. Aggressive exploration for oil and gas in the Canadian frontier is only one example of the work being done today to build for the future. Another is a joint venture where CDC is contributing to the development of industrial products and processes based on biotechnology–an investment that's unlikely to contribute to earnings for many years, but that could play a significant role in Canada's future.

A LOOK AT CDC'S ASSETS

INDUSTRIAL SECTOR	Total Assets*	%
Oil & Gas	$2,918.4	38.9
Mining	1,415.3	18.9
Petrochemicals	2,271.8	30.3
Office Information Products	689.5	9.2
Life Sciences	108.6	1.4
Fishing	24.6	0.3
Industrial Automation	38.7	0.5
Venture & Expansion Capital	38.8	0.5

*(millions of dollars)

MAJOR INVESTMENTS AT A GLANCE



By encouraging and developing managerial, financial and research talents of superior quality, interesting work is being provided for about 20,000 Canadians who are employed by CDC companies. The skills and creativity of these employees are helping Canada achieve its potential through diversifying and enriching its industrial, technological and resource base.

The Corporation itself operates with a relatively small, energetic and entrepreneurial staff, numbering less than 60 people. Operations in the group are decentralized, with responsibility for day-to-day management left with each company.

Each company has a strong board of directors, comprised of a mix of CDC directors and staff, outsiders and its own management. These boards have control over the operations of CDC companies within a broad policy framework set by CDC directors who are actively involved in setting goals and growth strategies and in monitoring progress. At the same time, the Corporation ensures that effective financial and administrative controls are in place throughout the group. Beyond that, the management of each company is generally free to conduct its own day-to-day operations without interference from CDC.

THE YEARS AHEAD

With the acquisitions of the past two years, CDC has entered a period where emphasis is being placed on improving the productivity of existing assets through lower costs and increased utilization rates. The Corporation is near its ultimate level of diversification for some time. New growth opportunities are readily available throughout the CDC group. With completion of a number of major projects, a reduced level of capital spending will focus on maintaining the value of existing assets, safe working conditions and high environmental standards. CDC managers are being encouraged to look for those new investments that are idea–rather than capital–intensive so that the Corporation's debt can be reduced.

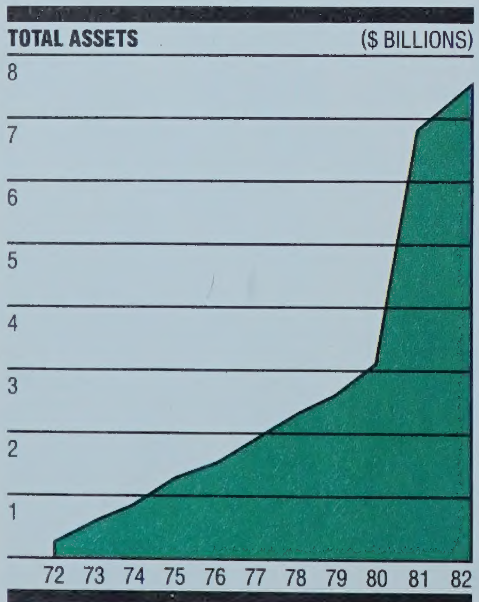
CDC's major shareholder, the federal government, plans to amend the legislation setting up the Corporation. CDC will then operate under the Canada Business Corporations Act like any other federally incorporated company.

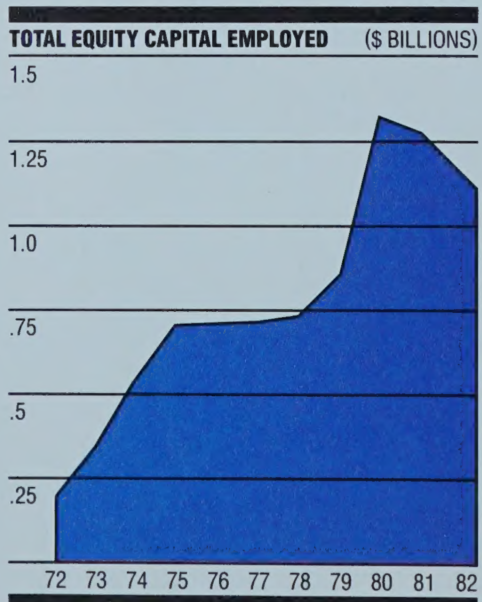
The Corporation will adopt a new name following proclamation of the new legislation. However, the guiding philosophy of the Corporation, which has produced such a strong growth record for 11 years, will remain unchanged. The emphasis will be to build powerful and profitable companies in those areas where Canada and Canadians have unique resources and skills.

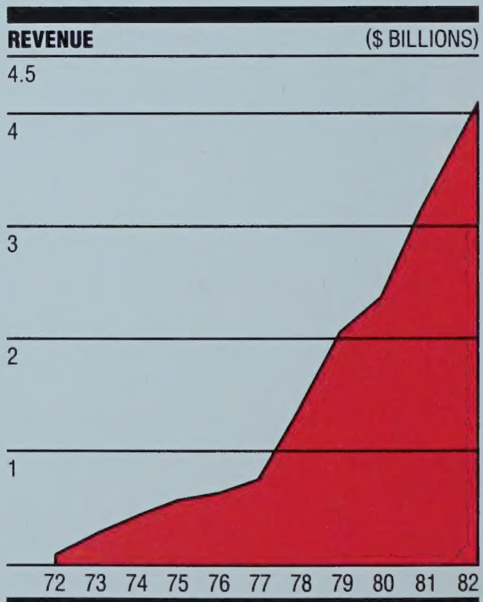
WHAT'S BEHIND EACH CDC SHARE

	Reserves per share*
Crude oil and natural gas liquids	0.162 cubic metres
Natural gas	439.6 cubic metres
Sulphur	0.223 tonnes
Silver	70.9 grams
Copper	33.1 kilograms
Zinc	57.5 kilograms
Potash	3.7 tonnes

*based on 67.7 million common shares on a fully diluted basis







REPORT OF DIRECTORS

For CDC, 1982 was the eleventh full year of operations. It was also, unhappily, the first year in which we have incurred a loss–$125.8 million or $4.52 per share on record revenues of $4.0 billion. This compares with the previous year's profit of $85.1 million or $1.46 per share ($1.25 fully diluted) on revenues of $3.1 billion.

We intend to ensure that 1982 is also the last year in which CDC fails to make a profit. Thus, the efforts to reduce costs and improve competitiveness–which we said in last year's annual report would be so vital in the difficult and disinflationary times that we then foresaw–were strengthened and extended as the year progressed. We will get the full benefit of these measures–described in more detail throughout this report–only in the latter part of 1983 and beyond. However, our steps to reduce costs and trim capital expenditures, improve asset management and enhance productivity had by the last quarter of 1982 already brought us into a position where virtually all our outlays were being internally financed.

The year just ended was not without its accomplishments. The group's management was strengthened, its innovative capabilities extended, and research and development expanded by $21.4 million to $79.6 million. The Kidd Creek copper smelter and refinery ended its run-in trials and began commercial operation late in the year; a successful exploration program was carried out by Canterra Energy; and a number of profitable divestments were completed by our venture capital group.

One of the most constructive developments of 1982, however, was the resolution of the problems between the Corporation and the federal government which had arisen a year earlier. As we said last year: "Consultation and goodwill are more important than ever in the difficult times Canada now faces, and the building of better links between government and the private sector is crucial to achievement of our country's potential." We are thus very pleased to have arrived at a formal agreement which is sensitive to the needs–and will promote the interests–of both sides, and are happy that practical cooperation and mutual understanding now mark our relations with the government and its new holding company, Canada Development Investment Corporation.

The agreement with the government recognizes that a major policy purpose of CDC has been accomplished and that it is appropriate for the government to realize on its investment over a period of time and use the proceeds for other policy objectives. Under this agreement, the relationship between CDC and the government will be on a commercial basis. The government–as before–will participate at shareholders' meetings by exercising its voting rights and for five years will not purchase any additional CDC shares except to protect the commercial value of its investment in the Corporation and only if the Board issues new participating equity. The government plans to amend the CDC Act, which will result in the Corporation adopting a new name and being governed by the general laws applying to any federally incorporated company. However, ownership of CDC voting shares will continue to be restricted to Canadians, and for a period of five years not more than 10% of the voting equity can be held by a single shareholder. The letters exchanged between CDC and the government–and ratified by the shareholders in June 1982–are published on page 49.

OPERATIONS

Last year, we said we expected conditions in 1982 to be particularly difficult and net income to remain unsatisfactorily low. We thought we were being cautious but the world actually turned out to be much tougher than we expected. As we feared, the recession was made much worse by the initial refusal of many Canadians to adjust their behaviour and expectations to the new realities of a disinflationary environment and increased international competition. In other words, Canadians were late in recognizing that costs had to be brought into line, attitudes had to change, and productivity had to improve. Both private and public sectors must share the blame for the survival of such self-delusion; neither private practices nor public policies seemed in tune with the world in which inflation creates unemployment and economic stagnation. At least until late in the year, all concerned seemed very reluctant to face the fact that hard choices had to be made if we were to restore the competitive position and job-creating potential of Canada. Thus, Canadian national output declined 7½% from its level in mid-1981–a performance four times worse than that turned in by the United States.

At CDC, this downturn had a particularly severe impact on our petrochemical and mining activities, although there were weaknesses throughout the group except for life sciences. We fell short of our revenue target for the year by more than $1 billion–of which about 75% can be traced to lower volumes and the remainder to lower-than-anticipated prices. The volume shortfall was especially pronounced in petrochemicals where capacity utilization rates at year end were below 65% so that profits fell off sharply even though unit margins at Polysar were well maintained. At Kidd Creek, it was weak metal prices and lower volumes, particularly for copper and zinc, which had the major impact. Despite lower volumes of oil, natural gas and sulphur, Canterra's results were close to expectations, while volume gains in the Data Systems group were smaller than anticipated and the downward trend in unit selling prices accelerated. Overall, high interest rates accounted for under 25% of

our shortfall from budget earnings for the year as a whole; average rates of about 15% earlier in the year were above our expectations although the 11% rate at year end was about what we anticipated it would be.

The low point in 1982 was the third quarter–traditionally a period of reduced activity for most CDC companies–but much weaker than normal last year. Volumes improved somewhat in the fourth quarter and the better results also reflected lower interest rates, earlier cost cutting and some strengthening in metals prices. By the fourth quarter, cash conservation measures–further capital spending cuts, additional inventory reductions and reduced operating costs–enabled us to generate all the cash we required in our operations.

We curtailed capital expenditures by almost $300 million, but this did not quite offset the shortfall in cash flow before financing charges which–at $643 million–was $331 million below our initial expectations. Despite the steps taken to improve asset management and reduce inventories and receivables–which were not complete at year end–the Corporation and its subsidiaries needed to draw on previously arranged long-term lines of credit to a net extent of $493 million during the year. These proceeds were used in part to retire term preferred shares. As we thought might be the case, markets in 1982 did not turn out to favour equity financing and we decided to defer action until this year.

The cost cuts we introduced during the year–some of which only began to be felt in the first three months of 1983–were very significant in total. Lower inventories and receivables reduced working capital requirements $347 million from planned levels. Further programs to save energy and improve the efficiency of operations, wage and salary freezes, lengthening of working hours and reductions in personnel are being implemented at all levels of the organization. In total, we believe that we have removed $175 million from our ongoing annual costs.

As part of this program, our consolidated subsidiaries reduced the number of their employees by about 3,500 or 15% from December 1981 to the first quarter of 1983. This was a difficult and painful process but necessary to increase the responsiveness of our companies and their ability to compete in a much more demanding world. No lasting employment is created by a high-cost, money-losing enterprise and we wish to ensure that our companies remain world competitive when demand picks up again. Inevitably, too many layers of management and staff creep into organizations during prolonged boom periods; some slimming down is necessary and desirable from time to time. We tried our best to cushion the blow to those affected–using attrition wherever possible, enhancing early retirement plans and offering relocation and retraining assistance. The costs of such programs were incurred in 1982 and early 1983; the benefits of being able to operate with fewer people, even in a much stronger economy, will be realized only later in 1983 and beyond.

INVESTING FOR THE FUTURE

Our only major acquisition during 1982 was the Savin purchase–one that was carried over from our 1981 program and referred to in our last annual report. Our 57% equity interest in Savin is a strategically important asset; it will help CDC Data Systems to capture a bigger share of the market for office products in the United States.

The Corporation's policy since 1981 has been to make no major acquisitions, although we may make minor purchases of assets which round out existing holdings. An example was Polysar's purchase during 1982 of the customer list of a major competitor leaving the butyl rubber business. These new Polysar customers will be a major market for the expanded butyl facilities in Sarnia, scheduled for completion and startup during 1983.

Capital programs–many of which started in 1981 and earlier–were continued and, in some cases, completed during the year. Spending will be reduced in subsequent years with the completion of major projects–such as Kidd Creek's copper smelter, Polysar's butyl rubber expansion, Petrosar's vacuum tower and Savin's new manufacturing facilities–which were not economic to suspend. With substantial new capacity in place in many of our companies, outlays will generally be reduced and be used to maintain our assets in good working order and to preserve safety and the environment. Our main emphasis in a period of excess capacity will be to find those low-cost, high-payoff ideas that maximize productivity and growth. Marketing and technical skills–which can be described as using the head rather than hardware–will be exploited throughout the group to increase sales volumes. However, at Canterra, we will continue a sizeable exploration program–in both the frontier and Western Canada–tailoring its size to the Company's cash flow and proceeds from non-essential asset dispositions, after making allowance for modest amounts of debt retirement.

Our strong commitment to innovation throughout the group requires continuing emphasis on developing the skills of our people and ensuring that our companies are efficiently managed. We made progress throughout the group in 1982, with new chief executives joining both Sentrol and Allelix, senior management added to Savin and Kidd Creek, and the depth of management and technical skills increased at Connaught and Canterra where the integration of three predecessor companies with their different cultures proceeded smoothly. More-

Commercial production at Kidd Creek's new copper smelter in Timmins began late in 1982. This new facility will lower production costs at the Kidd Creek Mine.

over, a leaner organization is emerging in our petrochemicals companies which will be able to respond much more quickly to the rapid and unpredictable shifts now characteristic of world markets.

Building for the future also continued in our manufacturing and high technology group. AES Data took steps to lower costs and improve its manufacturing efficiency, while expanding its marketing organization and continuing its new product development efforts. Savin took the initial steps needed to streamline its organization and to become a low-cost marketer of office products. In industrial automation, we helped Sentrol to strengthen its marketing and technical efforts as we expect it to be a growing factor in its dynamic sector. Finally, the life sciences companies, which had a generally good year, continued to invest in new products for global markets; Allelix, in particular, built its scientific talent to support a major research effort in new industrial processes and applications of biotechnology.

In general, our investments in the next few years will focus more on people, research and ideas than on major acquisitions or large-scale projects. We now have the

capacity and the personnel to handle a large growth in business without a corresponding increase in physical assets. Nevertheless, there will be plenty of scope within our existing holdings for imaginative, smaller-scale projects with high economic returns and significant growth potential.

OUTLOOK AND STRATEGY

Just as last year turned out to be worse than everyone expected, so this year may prove better than the consensus now imagines. Increases stemming from inventory rebuilding, housing, exports and consumer spending should lead to a solid and sustainable rise in output, although the year will not be without its uncertainties and hesitations. We believe that the worst is now behind us. Productivity is rising, inflation and interest rates are falling and unemployment is stabilizing, albeit at uncomfortably high levels.

While we think better times are ahead, we do not want to count on them and thus will not abandon our policies of cost reduction, productivity improvement, asset conservation and capital spending restraint. However, we will continue to promote growth by encouraging innovation at all levels of the organization.

We believe that accelerated growth and disinflation are not incompatible. A reduction in the world price of oil will be like a tax cut to the industrial world and will lead to lower inflation, lower interest rates and a higher rate of growth, particularly for oil-based products such as petrochemicals and their many derivatives. Oil and gas producers in Western Canada will receive lower prices than they had been expecting a year ago, but the effect will be blunted as exceptionally high taxes will absorb a significant part of this decline. In addition, operating and interest costs will be lower and the growth in demand for production that is today shut in for lack of markets will be higher than it otherwise would have been. We are confident that CDC, indeed Canada as a whole, will benefit from lower oil prices.

In this environment of disinflationary growth, it will be important to reduce debt. Thus, our focus will be to manage so that this aim is achieved–in a modest way in 1983 and to the extent of well over $1.0 billion in the next five years. The main source of this debt reduction must be internally generated cash flow, although a modest contribution will also come from the proceeds of assets which no longer have strategic value or which have reached their investment targets–such as the profitable dispositions by our venture capital companies.

We must also, as we have noted in earlier reports, raise equity or quasi-equity capital, especially since markets were not favourable for us to do so last year. We are currently exploring the various alternatives, and will of course endeavour to raise the necessary funds with the minimum dilution to our existing shareholders. As called for by the agreement with the government, and by the dictates of courtesy and common sense, we will work closely with Canada Development Investment Corporation in our own financing and in any disposition of the government's holding of CDC shares. We foresee no difficulty in coordinating these two activities to the benefit of both organizations and their respective shareholders.

DIRECTORS, STAFF AND SHAREHOLDERS

We were deeply saddened by the death of the Honourable Robert K. Andras during the year. We admired him for his common sense, integrity and way of finding wise and intuitive solutions to difficult problems. Another sad event in 1982 was the death at an early age of George Mannard, President of Kidd Creek; he was a geologist of great talent, an individual full of enthusiasm and an executive truly sensitive to people.

We welcome Jack Croll who became an ex-officio director, and we record with pleasure the promotion of Peter S. Gray to be CDC's Vice President and Controller.

In a very difficult environment, our people–at CDC and in our companies–redoubled their efforts and showed a willingness to make and accept tough decisions. We are grateful to them.

Finally, we thank you, our shareholders, for your continued support. It is especially appreciated when times are hard and earnings unsatisfactory. We are dedicated to restoring your Corporation to profitability in 1983 and to making it a truly rewarding investment in years ahead.

Respectfully submitted on behalf of the Board.

Frederick W. Sellers
Chairman of the Board

H. Anthony Hampson
President and Chief Executive Officer

March 31, 1983

OIL & GAS

Canterra Energy Ltd., the fourth largest Canadian controlled petroleum company, is a major producer of oil, natural gas, gas liquids and sulphur in Western Canada and is an aggressive explorer for new reserves. In the Canadian frontier, Canterra holds a large, diversified land position and is active in areas where significant discoveries of new hydrocarbons have been made.

Reduced demand for crude oil, natural gas and sulphur, combined with an international oil price less than contemplated by Canada's regulated oil and gas pricing structure, characterized the Canadian oil and gas industry during 1982. However, rampant inflation, which increased the industry's operating and capital costs in recent years, has substantially disappeared. Canterra responded to its environment by curtailing capital expenditures, emphasizing more productive operations, increasing hours of work and moderating compensation increases.

PRODUCTION

Canada's largest sour gas processing plant at Ram River, Alberta–which produces sales gas and sulphur–accounted for 29% of Canterra's gross revenue of $727.9 million. The Rainbow oil field–one of Canada's lowest-cost and most prolific fields–accounts for 28% of revenue. Sour gas processing and sulphur operations at Windfall, Crossfield, Okotoks and Nordegg River, and gas and oil operations at Provost, Paddle River and Hussar constitute Canterra's other major production centres.

Daily gross production of crude oil and natural gas liquids during 1982 averaged 5,530 cubic metres, up slightly from 1981. In 1982, the federal and Alberta governments made further changes to oil pricing policies which extended the application of international prices to more of Canterra's production. At year end, 530 cubic metres or 12% of Canterra's daily oil production received the New Oil Reference Price (NORP) and 2% received the Special Old Oil Price (SOOP). For 1983, the Company expects about 15% of its oil production to receive NORP prices and 8% to receive SOOP prices.

Daily gross production of natural gas during the year averaged 5.17 million cubic metres per day, down 5% from 1981. The gas market continued to weaken during the year with the result that purchasers took only about 75% of their minimum annual obligations. Canterra's gas sales through the "pre-build" section of the Alaska highway gas pipeline project were about 0.3 million cubic metres a day by year end. During 1983, additional gas sales through the prebuild will come from the Hanlan, Jarvie, Benjamin Creek, Karr and Wapiti fields.

Production capital spending in Canada during 1982 was $52.2 million. Approximately one third was spent on the Blackstone-Stolberg pipeline, which will transport additional volumes of natural gas to the Ram River plant when completed during 1983. Development drilling accounted for another $15 million, and $2 million was Canterra's 2% share of the new Hanlan-Robb gas plant being built and operated by another gas producing company.

Capital spending on production facilities during 1983 is expected to

AVERAGE DAILY PRODUCTION AFTER ROYALTY

	1982	1981 (1)	1980 (1)	1979 (1)	1978 (1)
Oil and natural gas liquids (cubic metres)	**3,660**	3,262	690	673	636
Natural gas (thousands of cubic metres	**3,458**	3,091	1,196	1,310	1,180
Sulphur (tonnes)					
–production	**1,913**	1,456	13	22	16
–sales	**3,836**	2,676	11	19	14

(1) Figures for 1981 are for CDC Oil & Gas Limited for 12 months and Canterra Energy Ltd. for six months; figures for 1978-80 are for CDC Oil & Gas only.

CANTERRA PRODUCT VOLUMES AND REVENUE

Gross Sales	**1982** Volume*	**1982** Value**	% Revenue
Oil	**1,887**	**$315.6**	43.4
Natural gas	**1,889**	**196.6**	27.0
Gas liquids	**133**	**18.2**	2.5
Sulphur	**1,541**	**154.2**	21.2
Coal	**922**	**43.3**	5.9
Total gross revenue		**$727.9**	100.0

*Oil, natural gas and gas liquids are in millions of cubic metres; sulphur and coal volumes are in thousands of tonnes. ** millions.

Canterra's Ram River facility is Canada's largest sour gas processing plant and accounted for 29% of the Company's gross revenue. Sulphur produced by the plant is either sold or stored in the block in the background.

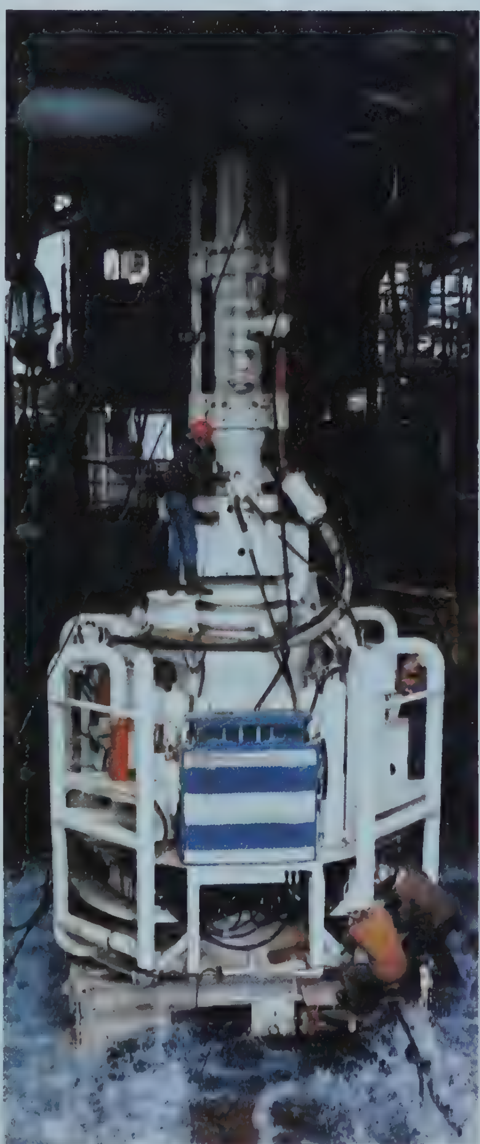
Canterra was the operator at Ralegh, an exploratory well off the coast of Baffin Island. Shown below is a blow-out preventor which sits on the ocean floor during drilling.

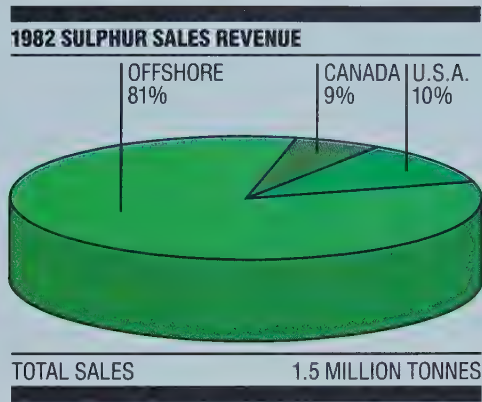
be $71.0 million. The Blackstone-Stolberg pipeline will again be the largest single expenditure, requiring about one third of the total.

SULPHUR

Canterra is the largest Canadian supplier and marketer of sulphur, accounting for about 20% of the international trade.

Both export and domestic markets weakened during the year as the global economic recession reduced demand from consuming industries, particularly the phosphate fertilizer industry. New supply sources in the United States and the Middle East





also came on stream during the year. Canterra's sales in the North American market totalled 292,000 tonnes, which was about 19% of total sales volumes. Offshore markets accounted for the remaining 81% of total sales (1,249,000 tonnes). Sales outside of North America are made exclusively through Cansulex Limited, a Vancouver-based sulphur marketing organization representing 18 Alberta sulphur producers. Canterra provides almost 50% of Cansulex's supply of sulphur.

Canterra either owns, or has under contract, sulphur reserves in excess of 15 million tonnes, about 15% of the remaining established reserves in Alberta, and is aggressively exploring for new sour gas reserves to obtain additional long-term supplies.

EXPLORATION

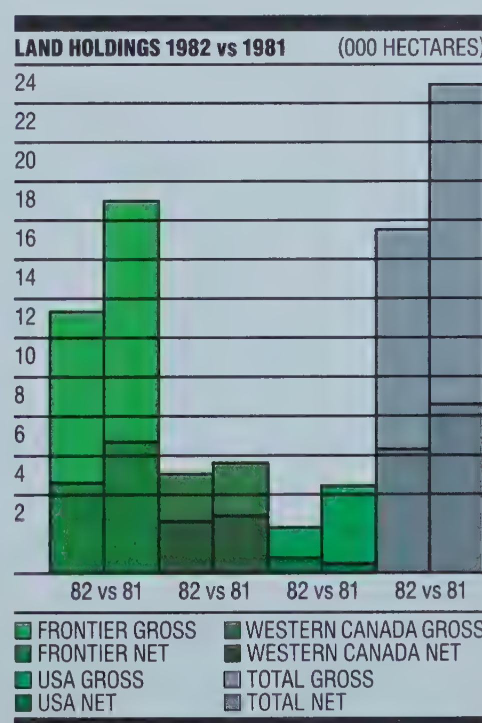
Canterra continues to be one of the most aggressive explorers for oil and natural gas in the Canadian frontier and Western Canada. New discoveries in 1982 more than replaced production on an energy equivalent basis, with new natural gas reserves exceeding production while new oil reserves fell short.

Frontier Canterra holds strategic exploration interests in all major frontier plays–the Beaufort, Arctic Islands, Labrador Shelf, Grand Banks and the Nova Scotia offshore. During 1982, the Company concluded nine farm-ins covering an area of 2.5 million hectares while relinquishing selected land holdings with less immediate potential and where early production is unlikely.

A key activity during the year was the acquisition through survey, trade or purchase of about 125,000 kilometres of seismic data, 99% of which covered prospective areas on the East Coast. This data is being integrated with other available geological information to determine the Company's longer-term exploration strategy and expenditures.

Canterra participated in 15 frontier wells during the year, of which two were classified as oil wells, two as gas wells, and three as dry holes. Eight were still drilling at year end or will be completed in future years.

In the Beaufort, a well to further delineate the Tarsiut structure, in which Canterra has a 3% interest, discovered oil, but was considered disappointing because it did not prove up sufficient reserves for immediate commercial development. A step-out from Tarsiut at Kiggavik was abandoned after having tested gas of 439 thousand cubic metres per day. Uviluk, in which the



Canterra holds a diversified land position in the Canadian frontier. Last year, the Company participated in 15 wells in seven frontier areas.

FRONTIER AREA	**WELLS**
Beaufort	**1** Uviluk **2** Kogyuk Berm **3** Kiggavik **4** Tarsiut
Baffin/Labrador	**5** Ralegh
Labrador Shelf	**6** Rut **7** Pothurst **8** Corte Real
Grand Banks	**9** Linnet **10** Bonanza **11** North Dana
Scotian Shelf	**12** Banquereau **13** N. Banquereau
Scotian Slope	**14** Shubenacadie
Arctic	**15** Marryatt

Company holds a 5% interest, will be completed during 1983.

The Company has a 17% interest in the Labrador Group. A three-well program (Rut, Pothurst and Corte Real) did not reach target depths during 1982. Further north off the coast of Baffin Island, Canterra acted as operator at Ralegh, 20 kilometres from a natural gas discovery well at Hekja. Ralegh was drilled in record time in a hostile environment, but was abandoned as a dry hole.

On the Grand Banks, Canterra entered into a farm-in on 78,000 hectares. The first well (Linnet) of a three-well program on land north-east of the Hibernia discovery was abandoned as a dry hole. Two other wells (Bonanza and North Dana) were drilling at year end.

The Company entered into new farm-ins on the Scotian Shelf. Some of the lands surround the Sable Island area where natural gas has been discovered. Additional natural gas was discovered at Banquereau (6% interest), while an adjacent well, North Banquereau, was abandoned as a dry hole. On the Scotian Slope, Shubenacadie, in which Canterra has a 12.5% interest, was being drilled at year end.

During 1983, work will continue on the wells started before year end, as well as another 13 wells. Canterra is eligible for maximum incentives under the Petroleum Incentives Program (PIP) and expects to be reimbursed for up to 80% of its total 1983 frontier exploration expenditures. Capital expenditures for 1983 will be about $175 million compared with $119.8 million in 1982. After PIP receipts, 1983 frontier expenditures will be $35 million compared with spending of $37.8 million during 1982. Emphasis is being placed on exploration in areas where the earliest production is possible and where the most economically deliv-

PROVEN RESERVES December 31, 1982

	WESTERN CANADA						UNITED STATES			
	Oil and Gas Liquids (1)		Natural Gas (2)		Sulphur (3)		Oil and Gas Liquids (1)		Natural Gas (2)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proven Reserves at beginning of 1982	16.633	11.289	36.991	26.583	17.448	16.263	.59	.48	.95	.71
Revisions	(0.296)	(0.201)	5.057	3.635	(0.220)	(0.198)	0	0	.2	.17
Production/Sales	1.756	1.124	1.938	1.285	1.205	1.105	.27	.14	.1	.08
Discoveries	0.151	0.120	1.648	1.368	0.085	0.071	.1	.09	.12	.09
Proven Reserves at end of 1982	14.732	10.084	41.758	30.301	16.108	15.031	.53	.43	.75	.56

(1) millions of cubic metres (2) billions of cubic metres (3) millions of tonnes

erable reserves are believed to exist, particularly in the waters off the East Coast.

Western Canada Canterra participated in 103 exploratory wells during the year (102 in 1981) enjoying a 74% success ratio. Fifty-four wells were completed as gas wells (24.8 net), 22 as oil wells (12.4 net) and 27 (12.5 net) were abandoned. Approximately 3.2 billion cubic metres of new gas resources and 379,000 cubic metres of new oil resources were established during the year. All of the new oil resources qualify for NORP pricing.

Drilling in the Blackstone area resulted in two Nisku gas wells. A drilling program in northern British Columbia to explore the Western extent of the Deep Basin established significant gas reserves on land owned 100% by Canterra. Also in British Columbia, a significant extension of the Boudreau gas field was established.

Oil exploration was concentrated in northern Alberta, where several wells in the Shekilie and Rainbow basins discovered small oil and gas pools. A drilling program near Grande Prairie in the Halfway formation resulted in an oil discovery which will be further assessed in 1983. A number of small oil discoveries were made on and around the Peace River "High." A well near Coleville in western Saskatchewan indicated two zones capable of producing low gravity oil.

Exploration expenditures in Western Canada during 1982 were $107.6 million before PIP receipts ($62.0 million after PIP receipts). In 1983, exploration expenditures will be about $117 million ($88 million after PIP receipts).

Canterra's exploration program in Western Canada emphasizes new oil resources. Pricing and royalty incentives, combined with more immediate market prospects, make successful oil exploration attractive economically. Western Canada is, however, a gas-prone geological region and new gas discoveries in a contract area, where marketing can be undertaken quickly, and sour gas with its associated sulphur revenues, continue to be primary exploration objectives. A portion of exploration spending is allocated to the search for large high-quality natural gas reserves in non-contracted areas whose discovery may result in a new contract.

UNITED STATES

Canterra Petroleum Inc. spent $22.4 million (U.S.) in 1982 for exploration and development in the United States. The Company participated in 28 (8.4 net) exploratory wells and 12 (4.2 net) development wells of which 10 (3.7 net) wells were completed as oil wells and two (0.5 net) wells were completed as gas wells. In addition, 38 exploratory wells and nine development wells were drilled on Canterra interest lands at no cost to Canterra, resulting in 14 oil wells and one gas well.

Production during 1982 totalled 270,000 cubic metres of oil and natural gas liquids, while natural gas production totalled 100 million cubic metres. About 96% of oil production was from the Williston Basin, while 82% of gas was produced in the Joyce Tract in Louisiana.

Capital spending in the United States during 1983 will be about $21 million (U.S.). The better prospects on Canterra land in the Williston Basin are now drilled and exploration economics continue to weaken in the United States. Management of Canterra Petroleum Inc. has been strengthened as a preliminary step to expanding exploration in limited and carefully selected geological basins offering above average returns.

Sales by Canterra Coal Inc., which operates coal mines in Pennsylvania, declined during the year to 924,000 tonnes. Despite the effects of the recession on the coal industry, strong cost control measures enabled the Company to generate a small positive cash flow.

HEAVY OIL AND OIL SANDS

Canterra operates two pilot projects –one located in the Athabasca region of northern Alberta and the other northwest of North Battleford in Saskatchewan. Both are considered longer-term ventures and are designed to develop efficient technology for use in possible commercial-scale ventures.

The Athabasca tar sands plant uses a proprietary steam recovery

CAPITAL SPENDING DURING 1982 VS 1981

(millions)

	1982	1981
Exploration		
Frontier	$119.8	$ 64
Western Canada	107.6	135
U.S.A.	27.6	46
Total	$255.0	$245
Production		
Canada	52.2	70
U.S.A.–Oil	14.1	33
U.S.A.–Coal	1.7	5
Total	$ 68.0	$108
Heavy Oil/Tar Sands	8.9	17
Other	6.0	
Total expenditure	$337.9	$370
Petroleum incentive receipts	(127.9)	(70)
Net expenditure to Canterra	$210.0	$300

process developed by Canterra and its partner. Production will increase to about 120 cubic metres a day of bitumen once heating of the reservoir is completed during 1983.

The Saskatchewan heavy oil project has been operating for eight years using the more traditional cyclic steam stimulation process. A new steam generator is being installed during 1983 and oil production is expected to increase to about 120 cubic metres a day.

FINANCIAL REVIEW AND OUTLOOK

Despite the recession and high interest rates, Canterra's results in 1982 were close to CDC's expectations at the time the Company was formed. Cash flow before financing charges was $361 million. After payment of all cash expenses including financing charges, Canterra had a near breakeven free cash flow. The Company recovered $16.1 million in income taxes during the year and was able to offset the unfavourable impact of higher-than-budget interest rates by reducing working capital requirements and planned capital expenditures.

The 1983 outlook is clouded by continuing weak markets, the uncertain price outlook for oil and gas, and the ending of temporary tax relief at mid-year. However, earnings and cash flow are projected to show substantial increases over 1982. Strict control over expenses, scrutiny of all capital spending to ensure maximum productivity, and further reductions in working capital requirements will allow the Company to reduce its long-term debt during 1983.

GOVERNMENT AFFAIRS

Canterra places the highest priority on its communications with governments in an attempt to improve present energy policy and fiscal regimes. Canterra's largest single expense is royalties and taxes on production which, in 1982, amounted to $238 million–or 33% of gross revenues of $727.9 million. In turn, maintenance of Canterra's planned level of capital spending is highly dependent on PIP receipts totalling $128 million. Acting alone and through industry associations, Canterra greatly expanded its government relations activities during 1982. Particular emphasis was placed on correcting inequities that exist in provincial royalties on high productivity "old" oil wells, application of NORP to enhanced oil recovery schemes started before 1981, modification of the fiscal regime for heavy oils and tar sands, and the administration of exploration incentive grants.

CANTERRA ENERGY

(millions)

FINANCIAL REVIEW	1982	1981	1980	1979	1978
Income Summary					
Net revenues	$ 596.7	$ 260.8	$ 64.3	$ 51.3	$ 43.2
Operating costs and depletion	306.9	130.4	21.7	16.5	13.4
Administration	40.6	17.2	3.1	1.7	0.9
Interest	231.3	99.9	–	0.3	0.8
Taxes, minority interest, other	32.3	13.2	12.4	12.5	10.4
Net income (loss)	(14.4)	0.1	27.1	20.3	17.7
Cash flow before interest	361.0	174.5	54.2	42.2	34.8
Free cash flow	(2.7)	(2.2)	48.8	32.7	28.2
Balance Sheet Summary					
Working capital	$ 108.2	$ 93.5	$ 11.4	$ 13.5	$ 3.1
Fixed assets (net)	2,648.6	2,192.0	305.1	227.6	182.8
Total assets	2,948.3	2,570.1	348.1	250.1	194.4
Long-term debt	495.5	482.5	117.3	77.5	78.3
Shareholders' investment	2,193.3	2,207.7	131.1	110.2	69.3

*1981–6 month results for Canterra Energy Ltd. and 12 month results for CDC Oil & Gas Limited
1978-1980–Results for CDC Oil & Gas Limited only

The Owl Creek Mine produced 778 kilograms of gold during 1982.

Kidd Creek Mines Ltd., one of Canada's largest, fully integrated mining companies, owns the giant Kidd Creek mine and metallurgical complex in Timmins, Ontario, where copper, zinc, silver and smaller amounts of other metals are extracted. Kidd Creek also owns a small producing gold mine at Owl Creek near Timmins, a 35% net profit interest in a lead-zinc mine on Baffin Island and a 40% interest in the Allan Potash Mine in Saskatchewan.

The mining industry has been particularly hard hit by the recession. Prices for all Kidd Creek products fell sharply during 1982 and demand was low, resulting in higher than normal inventory levels. To improve financial and operating performance, a major cost-reduction effort was launched to lower the breakeven level of operations, improve cash flow and preserve employment over the long term. As a result of this effort, Kidd Creek Mines and its employees have weathered the recession better than most other mining companies.

For the future, Kidd Creek will seek to ensure optimum utilization of its Timmins metallurgical facilities by searching for and developing new mineral deposits in the immediate area. As well, the Company plans to seek diversification opportunities throughout Canada by finding and developing new prospects producing a broader range of products. A new corporate research and development function was established during the past year to investigate longer-range metallurgical opportunities, particularly by improving mineral recoveries at Timmins and further upgrading existing products.

OPERATIONS DURING 1982

The Kidd Creek and Owl Creek mines performed well during 1982. At the Allan mine, production was curtailed during the year because of excess inventories.

Kidd Creek operated at full production capacity except for the period around the Christmas holiday. Ore mined at Kidd Creek in 1982 was 4.1 million tonnes. The amount of material in stockpile declined as ore sent to the Kidd Creek concentrator increased 6% over 1981 levels to 4.3 million tonnes. Both zinc and copper concentrate production were up for the year.

The new copper smelter and refinery became commercially operational in November 1982. The 59,000 tonnes-a-year facility will allow Kidd Creek to convert approximately two-thirds of its copper concentrate into refined copper cathodes at a significantly reduced cost and with higher metal recoveries. In 1982, refined metal production was 45% of capacity.

A new $14 million expansion of the zinc plant was completed late in the year, although commissioning will not take place until mid 1983. The pressure leach system utilized in the new section of the zinc plant will increase capacity for zinc metal production from 109,000 tonnes a year to 127,000 tonnes a year.

Mining operations have been

ORE RESERVES at December 31, 1982

	K_2O %	Zinc %	Copper %	Silver grams/ tonne	Lead %	Gold grams/ tonne
Kidd Creek Mine Total Recoverable 78.4 million tonnes proven and probable	–	4.99	2.87	67.2	0.18	–
Owl Creek Total Recoverable .9 million tonnes proven and probable	–	–	–	–	–	4.14
Nanisivik* Total Recoverable 4.3 million tonnes proven and probable	–	10.5	–	0.8	–	–
Allan Mine** Total Recoverable 428 million tonnes	23.8	–	–	–	–	–

*Kidd Creek 35% net profits interest **Kidd Creek 40% share

PRODUCTION

PRODUCTION	**1982**	1981	1980	1979	1978
Ore Milled	**4,320,700**	4,076,300	3,899,600	3,680,900	3,002,100
Zinc Concentrates*	**161,200**	118,600	135,200	102,000	148,500
Zinc Metal	**105,600**	109,200	101,600	106,700	72,800
Copper Metal					
–Refined by Kidd Creek	**25,100**	5,600	–	–	–
–Toll Smelted	**42,300**	54,800	61,700	61,800	48,100
Silver (kilograms) (1)	**166,550**	144,970	219,620	177,010	196,790
Gold (kilograms)	**778**	–	–	–	–
Cadmium	**460**	480	470	490	320
Muriate of Potash	**317,000**	487,000	399,000	433,000	429,000

(All volumes in tonnes except gold and silver) * Produced for sale
(1) Including recoverable silver in silver/lead concentrates and in other products

improved to increase average ore grades and lower costs by reducing the amount of waste material handled. With the completion and successful start-up of major additions to the Timmins facilities, capital spending during 1983 will be limited to maintain production levels and high health and safety standards.

Owl Creek Gold Mine Production from the new Owl Creek mine successfully commenced during 1982. Approximately 247,600 tonnes of ore were milled containing 778 kilograms of recoverable gold.

Allan Potash Mine Poor market conditions for most agricultural commodities resulted in weak sales of potash, a key fertilizer, and a significant build up of inventories throughout the industry. The Allan Mine was closed for several weeks during the past year and remained closed early in 1983 in order to reduce inventories. Production during 1982 was down 35% to 794,000 tonnes of potash of which Kidd Creek's share was 40%.

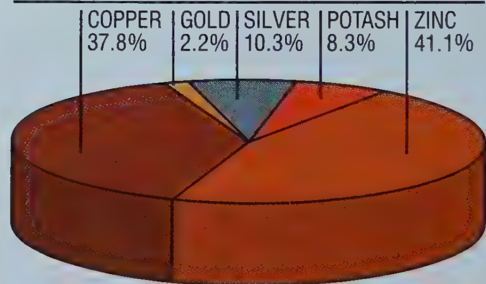
MARKETING

Metals markets remained weak throughout the year. At one point during the year, the price of copper, after taking inflation into account, was at its lowest level since the Great Depression. Silver reached a low of \$4.90 (U.S.) an ounce during the month of June, its lowest level in several years, although the price had recovered to over \$11 (U.S.) an ounce by the end of the year.

The low prices, combined with weak demand for all commodities sold by Kidd Creek, resulted in gross revenue of \$355.7 million compared with \$434.5 million in 1981. With the exception of gold, the dollar value of each commodity sold by Kidd Creek was below 1981 levels.

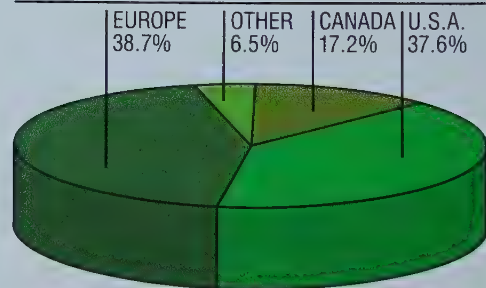
Although prices for copper, zinc and silver strengthened during late 1982, industrial demand remained weak. With the exception of potash, producer inventories are not excessive, and further price increases and

REVENUES BY PRODUCT



TOTAL $324.3 MILLION

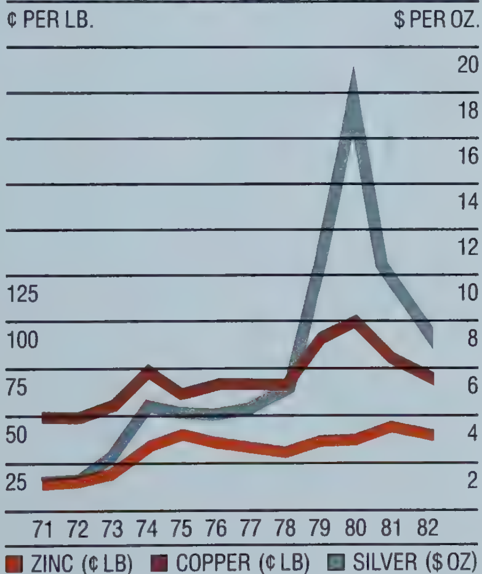
REVENUES BY COUNTRY



TOTAL $324.3 MILLION

The electrolytic copper refinery in Timmins has an annual capacity of 59,000 tonnes.

AVERAGE YEARLY U.S. PRODUCER PRICE



volume gains–although at more moderate levels than in past recoveries–should follow any increase in economic activity.

EXPLORATION AND DEVELOPMENT

The Company undertook approximately 75 active exploration or development projects during 1982 on which it spent $17.0 million. Much of this exploration and development work was concentrated around the Timmins area.

The Hoyle Pond gold prospect, adjacent to the Company's metallurgical site, was further defined during 1982 through additional surface drilling. The potential of the four known gold-bearing structures on the property has led to a decision to commence an underground evaluation program during 1983.

Work also continued near Izok Lake in the Northwest Territories where massive copper-zinc-lead-silver sulphide deposits have been found. Late in 1982, the Company announced encouraging drill results from this area; while these base metal deposits show interesting potential, further work is required to fully evaluate their economic significance.

Work was also carried out on tin and tungsten properties in New Brunswick and at the Toodoggone gold area in British Columbia.

FINANCIAL REVIEW AND OUTLOOK

Results at Kidd Creek were affected by weak markets for its major products, although the Company's performance compared favourably with other companies in the mining industry. Cost cutting programs–including a workforce reduction of 5% through attrition, early retirement and some layoffs–were insufficient to prevent a loss from operations. Cash flow before financing charges was $53.3 million.

For 1983, the Company expects that higher revenues, lower costs and improved productivity will result in a positive cash flow and a reduction in its borrowings. The improved oper-

KIDD CREEK MINES

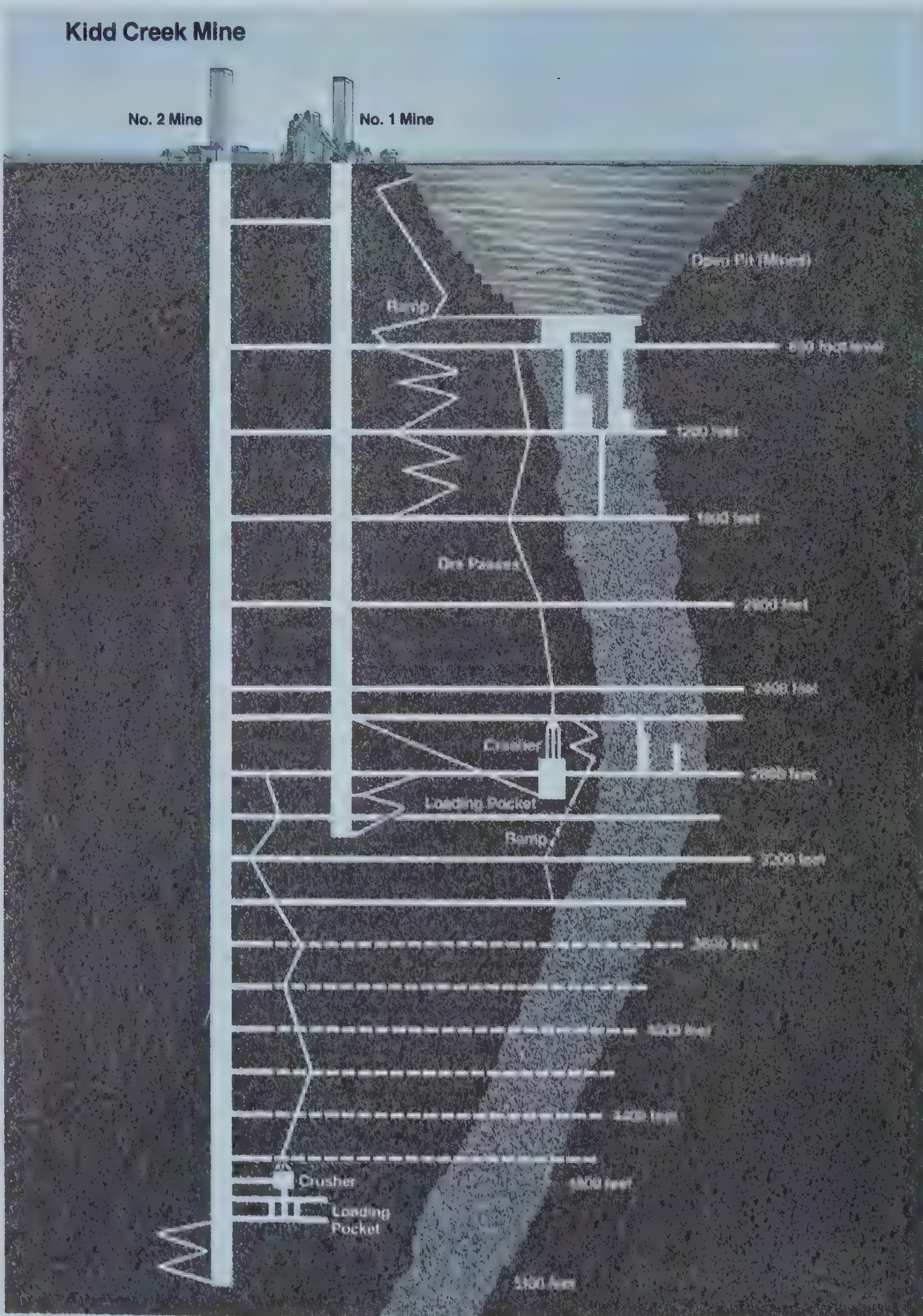
FINANCIAL REVIEW (millions)	**1982**	Oct-1 Dec 31 1981*
Income Summary		
Net revenues	**$324.3**	$116.9
Operating costs	**268.6**	89.5
Selling and administration	**20.7**	5.1
Exploration	**17.0**	1.9
Interest	**77.1**	24.8
Income taxes (recovery)	**(21.8)**	(2.2)
Net Income (loss)	**(37.3)**	(2.2)
Cash flow before interest	**53.3**	34.6
Free cash flow	**(79.0)**	9.8
Balance Sheet Summary		
Working capital	**4.6**	97.9
Fixed assets (net)	**1,171.2**	1,098.9
Total assets	**1,427.3**	1,302.0
Long-term debt	**374.1**	353.1
Shareholders' investment	**830.2**	864.9

*CDC acquired 100% of the Canadian operations of Texasgulf Inc. on September 30, 1981.

ating efficiency of the copper smelter and refinery will contribute to lower unit costs during 1983. The Company plans to operate the smelter and refinery facilities at full capacity during 1983. Prices in early 1983 for most metals were at levels which would yield a small positive cash flow.

A TOUR OF THE KIDD CREEK MINE

In 1964, a massive base metals sulfide deposit was discovered next to a rock outcrop on which a prospector had lived as a squatter years before. The result is one of the world's most prolific mines in Timmins, Ontario.



At the Kidd Creek mine, two different types of ore are mined: copper-zinc and zinc-silver-lead. The open pit mine began full scale production at the end of 1966 after the removal of muskeg and clay overburden. Underground mining began in 1973 after which the open pit was phased out.

The mining complex consists of two mines. The No. 1 mine shaft is 930 metres deep while the No. 2 mine is 1,550 metres deep. Headframes about the height of 25-storey buildings sit atop the shafts of each mine. Underground production is by a method known as blast-hole stoping, a process where large box-like openings are blasted within the ore body to loosen and then remove the metal-bearing ore. Once ore is mined, it is sent to the crusher which reduces all pieces to 15 centimetres or less. From the crusher it is taken to the surface in "skips" where it is loaded in rail cars.

A company-operated railway carries the ore from the mine site to a concentrator at the metallurgical site 27 kilometres away near Hoyle, where it is passed through secondary and tertiary crushers and reduced to less than 1.6 centimetres in size. Ore is then mixed with water and finally ground in rotating ball mills. Using differential flotation, concentrates of copper, zinc, and lead are produced.

About one-third of the zinc concentrate is sold on the open market, while the remaining quantities are futher processed into zinc metal in the Company-owned zinc plant. Zinc is used for galvanizing steel to protect it from rust as well as for various products produced by die casting.

The copper smelter turns copper concentrate into blister copper or anodes. The copper refinery further processes these anodes into a very pure form of copper called cathodes which are used mostly in electrical, plumbing and automotive products.

Polysar rubbers are used in the manufacture of a wide variety of products. Rubber accounts for over half of Polysar's revenues.

Polysar Limited is the largest Canadian multinational producer of petrochemical derivatives, employing over 6,000 people at 18 plants located in six countries. It is the largest manufacturer of synthetic rubber in the world, excluding the Soviet Union, and is a technological leader in the development of high-technology specialty rubbers. Polysar also produces latex, styrene and polystyrene resins, and is engaged in plastics forming. Polysar and CDC together own a 60% equity interest in Petrosar Limited, which supplies a substantial proportion of the primary petrochemicals required for Polysar's North American operations.

During 1982, the recession resulted in reduced sales volumes for all of Polysar's products. Sales of rubber and latex products totalled 559,000 tonnes during 1982, compared with 528,000 tonnes during 1981. After eliminating the effect of acquisitions during 1981, sales volumes of continuing businesses declined by 9%. Worldwide styrenics sales during the year were 217,500 tonnes, down 21% from 1981. Average production capacity utilized at all Polysar facilities during the year was about 71%.

Polysar responded to this environment by implementing aggressive cost-cutting measures, including a salary freeze, work force reductions, restrictions on capital spending, and lowering working capital requirements.

Rubber Rubber sales accounted for over half of Polysar's total revenue in 1982. Increased sales volumes for all rubber products were entirely as a result of acquisitions of new rubber manufacturing facilities during 1981.

Polysar's main product lines are emulsion and solution rubbers. Emulsion rubbers make up about half of total rubber sales by volume. General purpose rubbers, which are sold mostly to the tire industry, account for about three quarters of emulsion rubber volumes.

The balance of emulsion rubber

Polysar has plants in six countries and sales offices in another 13. It is also a large Canadian exporter of petrochemical products.

PLANT (city and country)	**PRODUCTS**
● Sarnia, Canada	Rubber, Latex, Styrene
● Cambridge, Canada	Polystyrene Resin
● Montreal, Canada	Polystyrene Resin
● Sarnia, Canada	Petrochemicals
● Barberton, U.S.A.	Rubber Compounding
● East Brunswick, U.S.A.	Rubber Compounding
● Akron, U.S.A.	Rubber Compounding
● Chattanooga, U.S.A.	Latex
● Monaca, U.S.A.	Latex
● Chattanooga, U.S.A.	Latex
● Leominster, U.S.A.	Polystyrene Resin
● Copley, U.S.A.	Polystyrene Resin
● Orange, U.S.A.	Rubber
● Strasbourg, France	Rubber, Latex
● Antwerp, Belgium	Rubber
● Arnhem, The Netherlands	Rubber, Latex
● Alf, Federal Republic of Germany	Formed Plastic Products
● Diezisau, Federal Republic of Germany	Formed Plastic Products
● Kleve, Federal Republic of Germany	Formed Plastic Products
● Tampico, Mexico (40% owned)	Rubber, Latex, Carbon Black

▲ Sales Offices

sales consists mainly of nitrile rubber and other specialty rubbers used in automotive, footwear and industrial applications. Polysar is the dominant supplier of nitrile rubber, which is oil resistant and extensively used in seals, belting and manufactured products.

Solution rubbers include butyl, ethylene-propylene and polybutadiene rubbers. Of this group, butyl rubber is the most important product and is used principally for inner tubes and tire linings. It is unique among synthetic rubber for its air-retention qualities and resistance to wear, heat, tear, weather and ozone.

Polysar is substantially increasing its butyl rubber capacity with an expansion of its Sarnia facilities. During 1982, labour disruptions and work slowdowns, combined with weak markets, delayed construction of this $275 million facility. Mechanical completion is now expected by September 1983.

Polysar is the world's second largest producer of butyl rubber. During 1982, the Company acquired the customer list of a major competitor leaving the business. These customers retained by Polysar will provide a base load for the expansion of the Sarnia facilities.

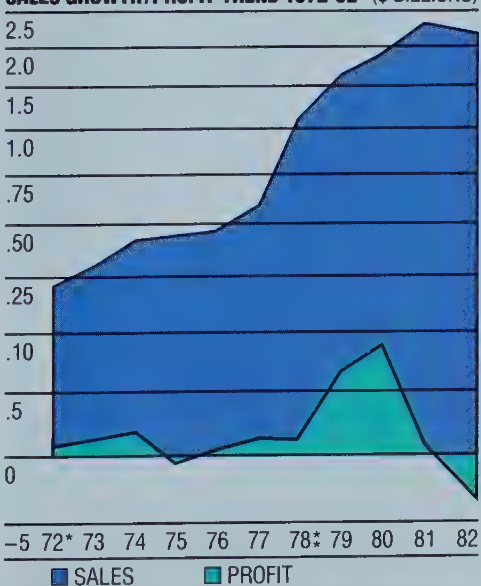
Ethylene propylene rubber, a line produced at Polysar's Orange Texas facility, accounted for less than 5% of total rubber sales and is used in automotive, roofing and many mechanical applications. Polybutadiene rubbers are used primarily in tires and high impact plastics.

Latex As a result of acquisitions made during 1980 and 1981, Polysar is now the world's second largest supplier of styrene-butadiene latex, a product that is a suspension of synthetic rubber in water. Latex is sold primarily to the carpet, adhesive and paper-coating industries. Latex accounted for 20% of Polysar's 1982 revenues. During the year, latex sales volumes held at 1981 levels with businesses acquired in 1981 more than offsetting weak markets.

Styrenics Styrene monomer is produced by Polysar for further processing into rubber, latex and polystyrene resins used in the manufacture of plastic products. Approximately 80% of Polysar's styrene production is consumed internally with the balance sold to third parties. The Company's styrenics business has traditionally been highly cyclical. Extensive price-cutting characterized the styrene monomer and polystyrene markets during 1982, reflecting overcapacity conditions throughout North America. A $21 million resins plant with a low-cost process was completed during the year at Leominster, Massachusetts.

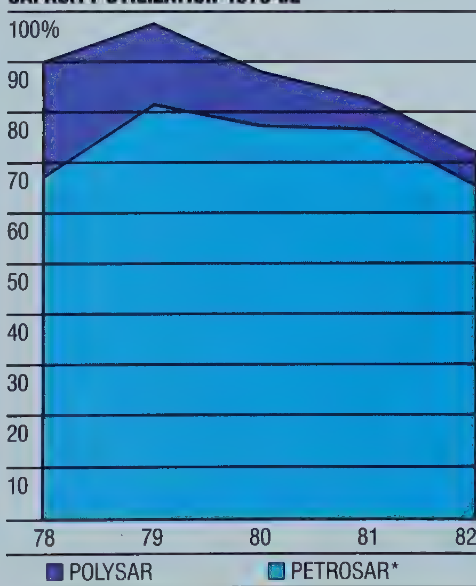
Formed Products Polysar's plastic forming operations are conducted by a German subsidiary which produces cups, containers and other packaging products that are marketed primarily to the food industry throughout Western Europe. Formed products accounted for 6% of Polysar's 1982 revenue. In response to poor sales during the year, substantial cost-cutting measures were taken to improve results.

SALES GROWTH/PROFIT TREND 1972-82 ($ BILLIONS)



*Polysar purchased by CDC in 1972 ⁑Petrosar began oper

CAPACITY UTILIZATION 1978-82



*Olefins unit only

PETROSAR LIMITED

Petrosar Limited operates Canada's first integrated world-scale petrochemical refinery. From a plant located near Sarnia, Petrosar provides Polysar and two other shareholder-customers (Union Carbide Canada Ltd. and Du Pont Canada Inc.) with a large portion of their requirements for such primary petrochemicals as ethylene, benzene, isobutylene and butadiene. Propylene and fuel oils are also sold to other customers.

The worldwide petrochemical industry was seriously affected by the economic recession. Resulting lower product prices, reduced demand and, in Canada, higher raw material costs contributed to Petrosar's poor performance.

Although capacity utilization rates in 1982 were well below design as a result of reduced demand levels, Petrosar's production facilities performed well. Work on a $150 million capital expenditure program, which started in 1980, continued during the year. When completed in mid 1983, the flexibility of Petrosar's plant will be increased.

Five of the 12 cracking furnaces are now able to process middle distillates as well as naphtha. A vacuum tower, which will begin operating in mid-1983, will process residual fuel oils into vacuum gas oil, a higher value and more marketable product. A new control system has been installed in order to achieve cost savings by computer monitoring of all plant processes.

The capital expenditure program combined with other operational changes already implemented will reduce Petrosar's daily design re-

Polysar invested $27.1 million in research and development last year. The Company is constantly seeking to upgrade and develop broader uses for its products.

quirements of 24,600 cubic metres of crude oil to 12,000 cubic metres. Daily output of heavy fuel oil will also be reduced from 10,700 cubic metres to about 1,600 cubic metres without any loss of petrochemical output.

Operating Environment The business environment has changed significantly since Petrosar was conceived more than a decade ago. The National Energy Program and the energy pricing agreement between the Alberta and federal governments have increased Petrosar's feedstock costs above those of competing petrochemical producers on the U.S. Gulf Coast with access to cheaper feedstocks, particularly natural gas liquids.

This has resulted in a major cost reduction program being launched at Petrosar during the year, which included a reduction in the workforce by about 260 permanent and contract employees. Further actions were launched in early 1983 to continue streamlining the operations of Petrosar.

Several years of experience with cost-of-service contracts led Petrosar's shareholders to conclude and implement a new commercial agreement among themselves. The effect is to change the pricing of Petrosar's products from a cost-of-service to a market basis, thus making its operations more responsive to market conditions.

FINANCIAL REVIEW

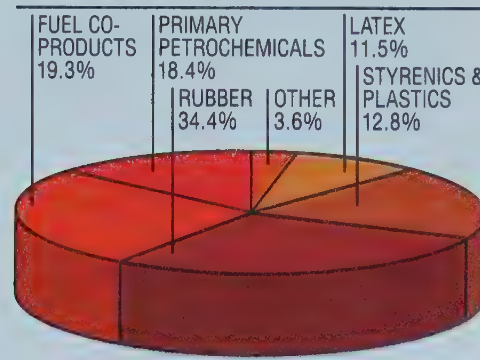
During 1983, CDC's petrochemical investments will be combined into a new holding company. Results for 1982 and earlier periods have been consolidated to provide a consistent basis for disclosing results of these investments.

Polysar's rubber business experienced soft markets in North America, due in part to the depressed automobile industry. Styrenics volumes and prices continued at low levels. While latex markets were adversely affected by the exceptionally low level of new housing starts, especially in North America, the latex business achieved some gains in market share. Despite reduced sales volumes and highly competitive pricing actions by others, Polysar was generally able to maintain product margins at year-earlier levels. Overhead costs, however, were not covered by the abnormally low sales volumes, resulting in a substantial loss for 1982.

This led to aggressive cost cutting measures, which included a workforce reduction of more than 600 people and cutbacks in capital spending. The Energy and Chemical Workers Union, which represents hourly workers at Polysar's Sarnia facilities, has agreed to a one-year contract whereby an increase in base wages of 6% would be deferred until March 1, 1984. In return, the Company has agreed to an enhanced early retirement package for eligible employees which is being used to reduce the size of its work force.

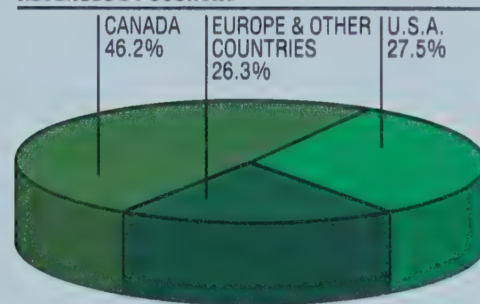
Substantial industry overcapacity exists for ethylene–Petrosar's major product–despite some permanent and many temporary closings of petrochemical refineries. Petrochemical prices fell sharply in 1982 while raw material costs rose, creating a serious margin squeeze at Petrosar.

REVENUES BY PRODUCT



TOTAL $2.3 BILLION

REVENUES BY COUNTRY



TOTAL $2.3 BILLION

PETROCHEMICALS

FINANCIAL REVIEW (millions)	**1982**	1981	1980	1979	1978
Income Summary					
Revenues	**$2,249.8**	$2,320.5	$1,911.9	$1,659.9	$1,143.4
Cost of sales	**2,048.1**	2,004.3	1,584.9	1,362.9	996.1
Selling & administration	**109.6**	102.3	80.3	73.1	68.1
Research	**27.1**	22.9	19.5	15.9	13.3
Interest	**87.7**	69.2	49.4	40.5	34.3
Taxes, minority interest, other	**15.9**	107.1	103.7	109.7	21.3
Net income (loss)	**(38.6)**	14.7	74.1	57.8	10.3
Cash flow	**43.2**	170.2	229.9	194.8	74.1
Balance Sheet Summary					
Working capital	**$ 186.6**	$ 283.9	$ 288.5	$ 257.5	$ 204.7
Fixed assets (net)	**1,343.5**	1,178.3	895.6	818.5	803.8
Total assets	**2,285.6**	2,244.0	1,872.8	1,714.4	1,583.5
Long-term debt	**679.4**	527.0	228.7	302.1	205.1
Minority interest	**563.0**	584.2	626.6	657.1	683.1
Shareholders investment	**347.9**	343.3	333.1	269.6	217.6
Capital spending	**250.2**	273.7	131.6	65.2	51.2

Rubber is produced in bales, each weighing about 35 kilograms. Polysar's customers further process various rubbers into finished products.

Capital spending in 1982 was $250 million, compared with $274 million in 1981. The principal expenditures were related to the expansion of butyl production facilities, the construction of a biological oxidation waste treatment plant and a vacuum distillation unit to upgrade residual fuel oil, all at Sarnia.

OUTLOOK FOR 1983

The recession has had a particularly severe impact on Polysar and Petrosar. However, good margin management, aggressive marketing, continued focus on new products and permanent cost savings, combined with expected increases in demand that will come with an economic recovery, should result in substantial increases in cash flow and profitability. Further cost cutting measures–including additional workforce reductions at both Polysar and Petrosar–were implemented during early 1983. A permanent reduction in operating costs of some $50 million a year has been achieved.

Continuing emphasis will be placed on productivity and efficiency so that, as sales volumes expand in the cyclical upturn, the financial health of the business will be restored. The federal government has established a task force to assess the problems of the Canadian petrochemical industry and to make recommendations which would improve its competitive position. CDC, Polysar and Petrosar will fully support the work of the task force.

OFFICE INFORMATION PRODUCTS

The Delphax printer offers a great deal of promise for its reliability and low cost of operation. The ion deposition imaging technology gives the Delphax printer greater flexibility than competitive products now on the market.

CDC Data Systems Limited, a 100% owned subsidiary, has invested in a number of companies that develop, manufacture and market word processing equipment, photocopiers and printers for use in the modern office.

During 1982, CDC Data Systems acquired a controlling interest in Savin Corporation of Valhalla, New York. The purchase provides CDC Data Systems with a prominent position in the photocopier market and other CDC companies with potential opportunities to improve distribution and gain increased market share.

The other principal investment of CDC Data Systems is AES Data Inc. of Montreal. The Company also has interests in Wordplex International Inc., Delphax Systems, Lanier Business Products Inc. and Insystec Inc.

The mandate of CDC Data Systems is to build a significant Canadian-controlled position in the manufacture of office information products. Information processing has emerged as a major growth industry as managers look for ways to improve the effectiveness and operating efficiency of the modern office.

AES DATA INC.

AES Data, in which CDC Data Systems has a 77% interest on a fully diluted basis, is one of the world's leading suppliers of video-based word processing systems. The Company's stand-alone and shared logic products were given one of the highest ratings for quality and reliability following an extensive customer survey in the United States.

Revenue increased 9% in 1982 to $188 million, largely because of strong sales growth in the European market. Shipments increased 24% over 1981. However, sales growth slowed in the North American market due to recessionary conditions and inventory reductions by dealers. Lower prices, combined with increased engineering and marketing expenditures, reduced 1982 profit to $3.2 million from $7.5 million in 1981.

Early in 1983, AES and Lanier agreed to a new six-year arrangement, which will allow AES to develop and manufacture other office products for sale through other distribution channels in the United States. This new agreement strengthens the relationship between these companies while allowing AES to further penetrate the key U.S. market.

In Europe, AES established direct sales forces in Germany and Spain at the end of 1982 and now oversees dealer sales networks in Austria, Portugal and Italy.

The Canadian marketing organi-

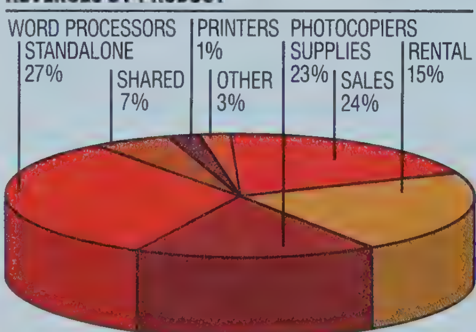
Savin is a designer and distributor of photocopiers. The Company is developing a new copier product which it plans to manufacture.

zation was also restructured with the establishment of a division to sell products directly to major accounts. The General Business Group continues to effectively expand AES' market position as a leading supplier to small and medium-sized businesses and institutions.

Research and development continues to be an area of high priority for AES. During 1982, the Company spent about $14.8 million on research and development to enhance existing and develop new products, a number of which will be announced during 1983.

In order to correct high inventory levels, AES has temporarily reduced production. The Company has instituted a number of cost-cutting measures and continues to take steps to improve productivity in all areas of its operations. Using the same manpower, AES has more than doubled its manufacturing volume during the past three years through investments in new equipment and extensive employee training programs.

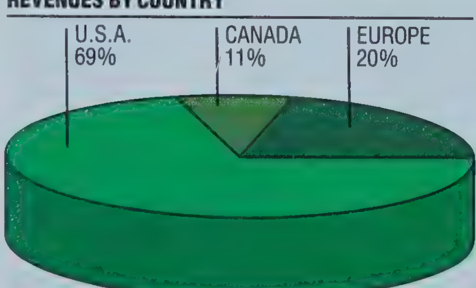
REVENUES BY PRODUCT



TOTAL $649.8 MILLION*

*Includes revenues of Savin Corporation for last nine months of 1982.

REVENUES BY COUNTRY



TOTAL $649.8 MILLION*

*Includes revenues of Savin Corporation for last nine months of 1982.

SAVIN CORPORATION

Savin Corporation is one of the largest distributors of plain paper photocopiers in Canada and the United States with 56 branch offices and over 500 independent dealer locations. Its shares trade on the New York Stock Exchange.

The Company's present line of photocopiers–designed for low and medium-volume users–is manufactured by Ricoh Company Ltd. of Japan. Savin itself manufactures a range of copier accessories, components and subassemblies which are either sold or leased to copier users, or sold to other customers which incorporate these products into computer, business, communications and medical equipment. The Company has also announced its intention to manufacture a new line of photocopiers for high-volume users at facilities located in New York State.

Prior to its purchase by CDC, Savin had encountered financial problems because of rapid expansion without adequate internal controls and equity. Despite a difficult operating environment during 1982, a promising start was made in realigning the business, withdrawing from non-essential activities, cutting operating and overhead costs and upgrading management.

Intense competition for market share characterized Savin's main copier markets during 1982. Although the Company's gross margins generally held up, sales volumes were lower than a year ago. By aggressive cost cutting, operating losses have been reduced. For the six months ended October 31, 1982, Savin had a loss of $3.3 million (U.S.) compared with $6.4 million (U.S.) in the year-earlier period. Revenues were down 10% to $222.4 million, reflecting lower copier sales volumes

and the withdrawal of the Company from unprofitable areas of its manufacturing and distribution businesses.

During the year, Savin undertook a manpower reduction program that resulted in the workforce being reduced 15% to 5,100 people, with much of the decrease coming in the administration and manufacturing areas.

Work continued on the development of the new 8000 Series machine, with manufacturing now scheduled to begin in early 1984. These machines will utilize a new imaging technology developed by a team of scientists and engineers headed by Canadian-born Benzion Landa, who is Savin's Director of Research.

During 1982, the Company also began converting its existing copier base to the Landa process. For a relatively modest cost to the user, the Landa Process significantly improves copy quality on existing machines. The unique Landa Process has strengthened Savin's reputation as a reliable supplier offering copier customers the best quality products at lower costs.

Over the longer term, Savin intends to continue distributing photocopier products for low and medium volume users, as well as moving into the higher volume copier/duplicator market. In order to

obtain a secure source of supply for low and medium-volume market segments, an exclusive contract with Ricoh was extended through 1990. Savin will introduce a new series of Ricoh-manufactured copiers during 1983.

The Company is also exploring opportunities to more fully utilize its direct sales force and dealer network by distributing other office information products.

DELPHAX SYSTEMS

Delphax Systems is a joint venture with Dennison Manufacturing Company that has completed design of a high-speed non-impact printer with a wide variety of applications in information processing. The initial product announced in late 1982 is designed for sale to original equipment manufacturers servicing the data processing market.

During 1982, the Company solved the remaining technical problems and established a manufacturing operation in Mississauga. A U.S. sales organization was established and orders worth $27 million have been received for printers to be delivered from 1983-85.

The Delphax technology is based on ion deposition imaging, which offers the flexibility of graphics and print-type variations not possible with impact printers. The Delphax printer also shows promise for its low cost of operation and high reliability.

INSYSTEC INC.

This wholly-owned subsidiary of CDC Data Systems is a research operation with a mandate to develop new office automation products. Insystec's first products are expected to be introduced in early 1984.

LANIER BUSINESS PRODUCTS INC.

CDC owns an 8% equity interest in Lanier through a $30 million (U.S.) convertible subordinated debenture. Lanier is a leading distributor of office equipment in the United States with 1982 sales of $350 million (U.S.). Lanier shares trade on the New York Stock Exchange and the Company is a minority shareholder in AES.

WORDPLEX INTERNATIONAL INC.

Wordplex manufactures and sells a highly integrated range of word processing equipment. The Company continues to hold a significant share of the market in Europe and has begun to penetrate the United States market. After being separated from AES in 1981, the Company incurred losses, but the operating performance significantly improved to a breakeven level during 1982. New products to be introduced in 1983 will broaden its range and increase customer appeal.

FINANCIAL REVIEW AND OUTLOOK

Results of Savin for the last nine months of 1982 are included in those of CDC Data Systems for the year. In general, revenues for 1982 for the group were below expectations as a result of lower demand and increased competition. Research and development expenses of $34.8 million–which include $5 million in development costs for the Delphax printer and $2 million for ongoing work at Insystec–and $7.0 million in goodwill were expensed in the 1982 results.

For 1983, CDC Data Systems expects to show a profit from operations. New products and the continuing effort to reduce costs at Savin will result in a return to profitable operations during the year. Along with a number of product introductions during 1983, AES is projected to show an increase in profit. As well, it will be the first commercial year of operation for Delphax with the Company becoming self-sustaining by the end of 1983.

All companies in the group will continue to spend heavily on research and development in order to maintain momentum in the marketplace and product leadership positions.

CDC DATA SYSTEMS

FINANCIAL REVIEW (millions)	**1982***	1981	1980	1979	1978
Income Summary					
Revenues	**$649.8**	$218.5	$195.2	$154.6	$ 44.6
Cost of sales	**357.2**	121.5	94.9	84.0	21.8
Selling and administration	**250.7**	70.0	73.0	55.7	16.7
Research and development	**34.8**	16.9	14.6	10.8	2.5
Interest	**35.1**	6.2	6.6	4.4	1.1
Taxes, minority interest, other	**(17.7)**	7.0	6.0	(1.9)	1.2
Gain on sale of Ventek	**–**	12.0	–	–	–
Net income (loss)	**(10.3)**	8.9	0.1	1.6	1.3
Cash flow	**23.5**	25.5	16.8	21.8	16.2
Balance Sheet Summary					
Working capital	**$171.2**	$ 28.7	$ 45.4	$ 38.0	$ 20.7
Fixed assets (net)	**145.5**	28.9	23.7	15.6	9.1
Total assets	**678.6**	236.2	225.8	180.5	128.4
Long-term debt	**209.8**	2.0	29.3	18.8	17.7
Shareholders' investment	**247.9**	143.8	121.2	39.3	40.6

*Results of CDC Data Systems for 1982 include Savin Corporation for the period April 1 to December 31, 1982.

Bio Research is one of the world's leading toxicology testing companies. Last year, revenue increased 53% over 1981.

CDC Life Sciences Inc. is a wholly owned CDC subsidiary with investments in a number of internationally oriented companies engaged principally in four areas: human biologicals, contract scientific testing, pharmaceuticals and biotechnology. Profit during 1982 was $3.9 million, a major increase over 1981, and reflected improved performances at Connaught Laboratories Limited, A/S Dumex and Bio-Research Laboratories Ltd.

The restructuring of the Canadian pharmaceutical operation was completed during 1982 with the sale of a 50% interest in Omnimedic Inc. to Marion Laboratories Inc. Steps have been taken to dispose of A/S Dumex, the Danish pharmaceutical company. Connaught withdrew from the animal health business and Bio-Research's scientific services division showed major growth during the year.

CONNAUGHT LABORATORIES LIMITED.

Connaught, a wholly-owned subsidiary of CDC Life Sciences, manufactures human biological products, principally insulin, vaccines, blood fractions and diagnostic products. About 60% of the Company's sales are made in markets outside Canada.

During 1982, revenues increased 8% to $65 million as a result of strong sales of insulin in Canada and human vaccines in both domestic and international markets. During the year, the Company increased its penetration of the U.S. influenza vaccine market from production at its plant in Swiftwater, Pennsylvania.

Connaught withdrew from active marketing and product development in animal health products because of poor results in previous periods. The Company continues to manufacture a limited range of animal health products, which are now marketed through distributors in Canada and the United States.

Management in financial, research and human resources was further strengthened during the year and good results were achieved in working capital conservation and cost-reduction programs and improving productivity. These programs will be continued during 1983 to maintain and strengthen the Company's international competitiveness.

Connaught is a heavy investor in research and development, with net expenditures at 10% of revenues. Important milestones were achieved in all new product development programs. Good progress was made in expanding the Company's capability in molecular biology.

BIO-RESEARCH LABORATORIES LTD.

Bio-Research, CDC's 100% owned biological testing company located in Montreal, had an excellent year and further strengthened its position as one of the world's leading contract toxicology companies. Revenue increased 53% during 1982, with over 90% of the volume coming from outside Canada.

The Company's success comes

CDC is a partner in Allelix, a biotechnology venture with new offices and laboratories in Mississauga, near Toronto.

from the continuing high quality of its scientific output as a result of its emphasis on retaining outstanding scientific, technical and support staff. It works on behalf of multinational pharmaceutical companies and other organizations to test new drugs and other chemical products prior to their release for sale to the general public. A scientific services division, established in 1981, showed major growth during the year with significant gains being achieved in the clinical research area.

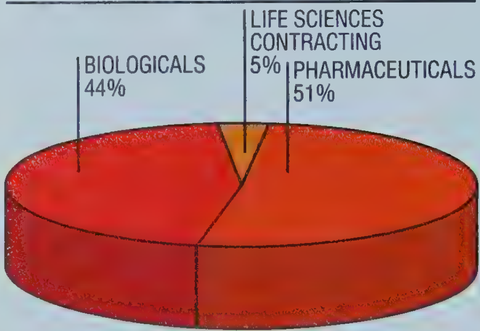
Prices for contract toxicological services were under pressure during the year because of excess commercial capacity in Europe and the United States. However, Bio-Research operated at near capacity levels during 1982. Capital expenditures were made to expand facilities and upgrade computer systems.

ALLELIX INC.

CDC owns a 50% equity interest in Allelix, which will carry out basic and applied research in industrial and agricultural applications of biotechnology. Its partners in Allelix are John Labatt Ltd. and the Government of Ontario which own 30% and 20% respectively. The three partners have committed a minimum of $100 million to the venture, which is not expected to contribute to earnings for many years.

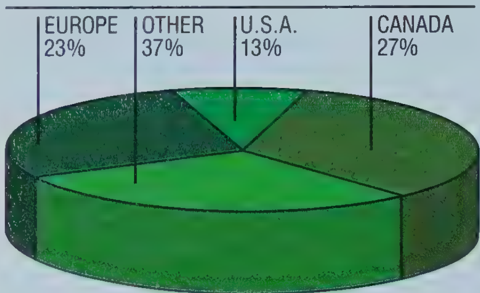
Under the leadership of a distinguished Chairman, a President with wide business experience and a highly regarded research director, Allelix will build a highly qualified team drawn from the world's leading

REVENUES BY PRODUCT



TOTAL $152.8 MILLION

REVENUES BY COUNTRY



TOTAL $152.8 MILLION

research scientists. The search for senior research staff is well advanced in all of the leading North American and European centres.

The new $20 million facility in Mississauga, scheduled for completion in April 1983, will include a state-of-the-art fermentation plant for scaling up processes developed in laboratories. During 1982, Allelix entered into a five-year $2.2 million contract to support the work at McGill University of one of Canada's leading scientists in the field of nitrogen fixation.

A/S DUMEX

Dumex, a major Danish pharmaceutical company, manufactures and sells a broad range of pharmaceutical products throughout Europe, Africa and Asia. The remaining minority interest in the Company was purchased late in the year. Profit in Danish kroner was up 70% in 1982 and the contribution to CDC showed a significant improvement over the previous year despite currency translation losses.

OMNIMEDIC INC.

The sale of a 50% interest in Omnimedic to Marion Laboratories was completed during the year. CDC Life Sciences and the Caisse de dépôt et placement are now minority equity partners with 35% and 15% interests respectively. Profit for 1982 was below the previous year due to the expiry of a license for a drug product sold by the Company. However, sales of other products–particularly the ulcer medication Sulcrate–showed good growth. A major new cardiovascular drug is expected to be launched in early 1983.

OUTLOOK FOR 1983

Revenues during 1983 for CDC Life Sciences are projected to grow modestly, while profit is expected to increase significantly, with most of the improved earnings coming from better productivity and reduced costs at Connaught.

A number of new products are planned for introduction by Connaught, although timing will depend upon licensing approvals from governments. These new products–mainly vaccines–will allow Connaught to further penetrate international markets, particularly the United States.

All companies in the group are concentrating on making further improvements in operating efficiencies. At Bio-Research, emphasis is being placed on obtaining higher-margin specialized studies.

IMASCO-CDC RESEARCH FOUNDATION

Since its founding in 1979, the Imasco-CDC Research Foundation, a non-profit organization, has invested over $2 million in 18 medical research programs at Canadian hospitals, research institutions and private businesses. Applications are evaluated by an independent scientific advisory board comprised of leading Canadian medical scientists.

During 1982, the first product developed with financial aid from the Foundation was brought into commercial production. The Mobilimb is the result of work by Dr. Robert Salter, an orthopedic surgeon at the Hospital for Sick Children in Toronto, and uses a healing technique known as continuous passive motion.

CDC LIFE SCIENCES

FINANCIAL REVIEW (millions)	**1982**	1981	1980	1979	1978
Income Summary					
Revenues	**$152.8**	$170.0	$171.8	$137.8	$139.8
Cost of sales	**66.8**	79.2	81.8	63.4	66.6
Selling and administration	**52.8**	62.6	64.6	55.8	51.7
Research and development	**17.3**	15.9	12.0	8.8	8.7
Interest	**2.8**	4.3	4.8	4.3	6.2
Taxes, minority interest and other	**9.2**	6.1	5.8	1.4	2.6
Net income	**3.9**	1.9	2.8	4.1	4.0
Cash flow from operations	**14.1**	11.3	11.2	13.5	10.7
Balance Sheet Summary					
Working capital	**$ 28.1**	$ 48.5	$ 43.5	$ 39.6	$ 38.8
Fixed assets (net)	**35.2**	56.8	56.3	54.8	51.0
Total assets	**106.4**	148.3	153.3	154.2	152.8
Long-term debt	**7.1**	19.4	20.0	19.8	18.0
Shareholders' investment	**58.9**	54.4	47.6	44.8	44.3

FISHING

Fishery Products completed construction and launched a modern stern trawler. The Company now operates 36 trawlers from its Newfoundland base.

Fishery Products Limited harvests, processes and markets various fish species from the Grand Banks and Labrador fishing grounds. Primary products are flatfish (sole and flounder) and cod, as well other groundfish and shellfish. About 85% of revenues come from sales to the United States and Europe. CDC holds a 40.8% interest in Fishery Products but during the year was granted an option to purchase an additional 30% of the Company's outstanding common shares.

The past year saw a continuation of the poor conditions that have plagued the industry since 1980. Fishery Products, in common with the East Coast fishery, experienced high inventories, depressed product prices and high financing costs. Strong actions were taken during 1982 to reduce costs, improve productivity and more effectively match harvesting and processing activities with market demand.

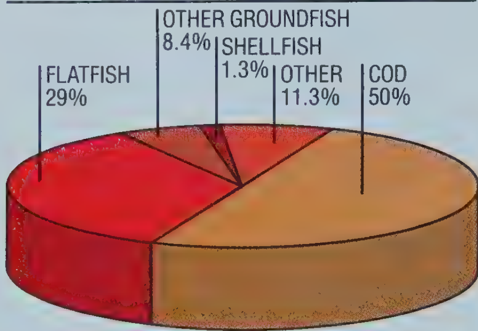
As a result of changes in operating practices made to date and others either being implemented or planned, the Company expects to be moderately profitable during 1983. After two poor years in a row, the Company's financial position has deteriorated, and attaining its 1983 profit goals is mandatory.

REVIEW OF 1982 OPERATIONS

With high inventory levels throughout the industry and poor demand due to economic conditions, Fishery Products experienced severely depressed prices for its most important products during the first half of the year. The oversupply conditions for certain species were made worse by the actions taken by competitors–faced with their own financial pressures–to reduce inventory levels through extensive price cutting.

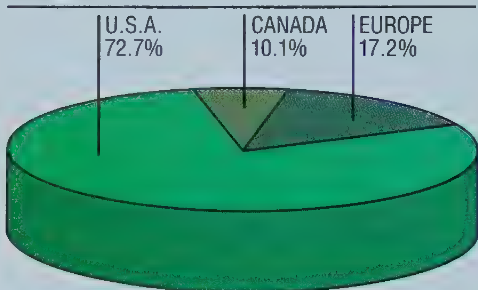
To reduce inventories, Fishery Products did not start its harvesting and processing operations until late February. Even then, costs were adversely affected by extreme weather conditions. After harvesting began, operations still remained unprofitable, leading to further reductions in production volumes through plant closures and tying up less efficient trawlers. By year end, the Company was operating three plants–Catalina, Marystown and Trepassey–on a two-shift basis to

PRODUCT VOLUMES



TOTAL 111.2 MILLION LBS.

VOLUMES BY COUNTRY



TOTAL 111.2 MILLION LBS.

achieve maximum productivity.

A great deal of effort was made during the year to better match harvesting, processing and marketing operations. The corporate harvesting quotas introduced on an experimental basis in 1982 by the federal government were successful. Although the federal government chose to terminate these arrangements at the end of the year, the system has been maintained through arrangements between the various affected parties. The Company hopes that the former quota system will be reinstated during 1983.

Capital expenditures for new projects were cut back heavily during the year. Rebuilding of the Catalina plant and the construction of a new trawler, both started in early 1981, were completed.

Despite the difficulties during 1982, the management of Fishery Products did not neglect its overall strategy of focussing on higher value added products through rationalizing the number of lines carried and upgrading quality through intensive training programs at all levels.

FINANCIAL RESULTS

As a result of aggressive marketing, some improvement in prices late in the year and a better mix of product sold, Fishery Products increased its sales volumes and revenues during the year. However, higher operating costs and interest expense associated with the Company's debt offset the revenue gains. The strong actions taken during the year to reduce costs and improve productivity resulted in write-offs which contributed to the $22.5 million operating loss.

LOOKING AHEAD

Deteriorating conditions in the East Coast fishery in 1981 led to the appointment of a federal government task force chaired by Michael Kirby. The task force recommendations, which were published in early 1983, were constructive and will form the basis for discussions on rationalization of the industry.

Fishery Products has already extensively rationalized its operations. Although plant closures were necessary to improve its prospects, Fishery Products endeavours to minimize the social and economic impacts. When the Company closed its aging Burin plant, almost all employees were offered employment at the nearby Marystown plant which now operates on a two-shift basis.

With a smaller base of operations, Fishery Products entered 1983 with the ability to harvest and process the same volume of raw material but at a greatly reduced cost. With no increase in volumes and only modest price improvements for turbot, flounder and cod, the Company should be able to operate profitably and reduce its bank loans by more than 10% during 1983.

Fishery Products has an asset base which is capable of providing good returns to shareholders, continuing employment for many Newfoundland residents and a high level of export earnings to Canada. Whether the longer-term potential for the industry and Fishery Products can be achieved depends on many factors–the business climate, government policies, the outcome of rationalization and restructuring discussions, aggressive market and further productivity improvements–and 1983 will be an important year in settling many of these issues.

FISHERY PRODUCTS

FINANCIAL REVIEW (millions)	1982	1981
Income Summary		
Sales	**$213.9**	$175.3
Cost of sales	**206.9**	163.5
Selling and administration	**12.2**	10.2
Interest	**17.3**	9.6
Taxes, minority interest, other	**–**	0.9
Operating income (loss)	**(22.5)**	(8.9)
Cash flow from operations	**(16.8)**	(6.8)
Balance sheet		
Fixed assets (net)	**$ 55.5**	$ 67.5
Total assets	**104.4**	155.9
Long-term debt	**19.5**	21.1
CDC's investment	**24.6**	30.2

INDUSTRIAL AUTOMATION

Sentrol Systems Ltd. designs, manufactures, installs and services computer-based control systems for process industries such as pulp and paper, metal coating, petrochemicals and pipelines. It is the largest Canadian company in the field of industrial automation.

Customers purchase computer-based control systems to improve productivity and product quality. Because of the recession, the industries served by Sentrol experienced severe declines in production and profitability during the year, resulting in massive curtailment of capital spending.

In this environment, Sentrol successfully completed installation of 62 new systems during 1982, resulting in a 15% increase in revenue over 1981. However, the past year was difficult and the Company operated at a loss despite cutting back spending and reducing staff in order to streamline operations.

Sentrol entered 1982 with a strong order backlog and bookings remained satisfactory during the first half of the year. During the third and fourth quarters, however, new orders declined significantly. The declining market caused severe price competition as the industry endeavoured to maintain capacity levels. The Company continued its efforts to penetrate new markets and was able to sell new systems to 13 first-time customers, many of whom are outside Canada. The first Sentrol system was sold in South America during the year.

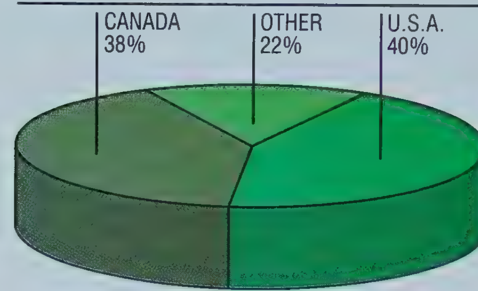
Sentrol continued to invest in developing and introducing its SAGE product line. SAGE is a computer based distributed control system that is capable of automating industrial processes. It can control a number of individual processes, a complete factory, or a pipeline system.

A new SAGE system has been installed for the Marathon Oil Company, and controls the operations for an 18-pipeline network covering 4,300 miles and crossing nine states. This product allows operators at a central location to control all functions of a system that carries up to 100,000 barrels of crude oil and 10,000 barrels of refined product daily.

During 1982, Sentrol sold five SAGE systems to a Swedish company. This first-time order was considered to be a major breakthrough for Sentrol because of the technological sophistication of the Scandinavian pulp and paper industry.

Work continued on other products during the year. A new remote terminal unit has been developed for control of processes located in severe environmental conditions such as those found in the Arctic or deserts. A unique feature of this system is its low power consumption. Sentrol also continued work on its advanced sensor technology.

REVENUES BY COUNTRY



TOTAL $30.2 MILLION

OUTLOOK

Sentrol's end markets remain depressed. Although the Company's products continue to find good customer acceptance, any significant improvement in its results requires better economic conditions. Signs of a return to more normal levels of capital spending by major customers were beginning to appear in the early part of 1983.

Despite an adverse environment, the Company entered 1983 with a more streamlined organization and a lower cost base. It will continue to invest in research and development activities that are geared to improving its products in order to expand its technological edge over competitors.

SENTROL SYSTEMS

FINANCIAL REVIEW (millions)	**1982**	1981* (6 months)
Income Summary		
Sales	**$30.2**	$15.1
Cost of sales	**25.9**	14.6
Selling, administration and research	**11.9**	7.4
Interest	**1.5**	0.7
Taxes, minority interest and other	**(3.3)**	(0.4)
Net income (loss)	**(5.8)**	(7.2)
Cash flow from operations	**(8.3)**	(8.2)
Balance Sheet Summary		
Working capital	**$ 7.1**	$ 5.9
Fixed assets (net)	**3.1**	3.5
Total assets	**38.7**	43.5
Long-term debt	**0.2**	0.3
Shareholders' investment	**33.7**	27.0

*CDC acquired an 85% interest in July 1981

VENTURE AND EXPANSION CAPITAL

CDC Ventures Inc., a 100% owned subsidiary, operates one of Canada's largest pools of venture and expansion capital. CDC Ventures places equity funds–generally with other investors–into venture institutions, which in turn invest in business enterprises at the conceptual or early developmental stages. Returns from venture capital investments are usually obtained in the form of capital gains on sale.

In addition, CDC Ventures has a significant investment in CanWest Capital Corporation of Winnipeg, an expansion capital company. CanWest's practice has been to acquire medium-sized companies, either to reorganize them and improve profits with the intention of resale, or to hold for longer-term growth and development.

To date, CDC Ventures has invested a total of $60.3 million in venture and expansion capital companies. After dividends and proceeds from the sale of shares, the net investment at the end of 1982 was $28.9 million.

At year-end, CDC Ventures had investments in seven venture and expansion capital funds. These funds had in turn invested in 27 separate operations, of which half can be classified as commercial enterprises and half as primarily research and development efforts. The commercial enterprises are involved in 11 distinct industries, covering a wide area of activity.

ALBERTA VENTURES FUND

CDC Ventures owns 13% of Alberta Ventures Fund (AVF), which was organized in 1980. It has made several investments in high technology businesses that are energy related. A resource subsidiary has conducted a successful oil and gas exploration program which will provide regular cash flow to AVF.

ATLANTIS CORPORATION LIMITED

Newfoundland-based Atlantis Corporation, in which CDC Ventures has a 43% interest, has made investments in service activities for the offshore energy industry and in specialty seafood products. Atlantis has an investment in a helicopter company in partnership with a major international company and is negotiating to establish an offshore supply activity. Its first investment in Argosy Seafoods, a specialty crab plant in Newfoundland, performed well during 1982, its first year of operation under new ownership.

CANWEST CAPITAL CORPORATION

CanWest is CDC Ventures' largest investment (40% equity interest), and has investments in retailing, fertilizers, broadcasting and financial services. Good results were achieved during 1982 by CanWest's investments in broadcasting and financial services. The high interest rates on the Company's debt and the depressed state of the fertilizer market had a negative impact on profitability. During the year, CanWest completed its divestiture of Crown Trust, which resulted in a significant capital gain.

INNOCAN INVESTMENTS LTD.

Innocan, CDC Ventures' oldest venture capital investment, had another successful year. This fund, in which CDC Ventures has a 25% interest, made no acquisitions during the year, but announced the disposition of Digital Video Systems and the mobile communications division of International Systcoms, both at a good profit. Remanco, which manufactures a computerized restaurant management system, made significant progress during the year in upgrading product quality and reliability, and increasing market penetration.

MERCHANT BANCORP INC.

CDC Ventures owns 50% of Merchant Bancorp, a fund that was formed in 1980 to bridge the gap between venture capital and normal business financing. To date, Merchant Bancorp has participated with European interests in the funding of a new welding process with significant commercial potential.

TDC–TECHNOLOGY DEVELOPMENT CORPORATION

CDC Ventures has been a joint venture partner since 1979 in TDC–Technology Development Corporation with Vancouver-based Teck Corporation. TDC sold at a profit a portion of its equity in Intermagnetics General Corporation but retains a 16% interest. Intermagnetics provides material and technology for super conducting magnets. Moli Energy of Vancouver, which is developing an advanced electric battery, made considerable progress during the year and its technology continues to offer considerable promise.

THE VASE FUND INC.

The VASE Fund (90% owned) has invested in HSA Reactors Limited, which has developed an electrochemical method of extracting minerals from fluid streams. This new technology which is now being marketed, offers many opportunities for commercial application in such industries as metal finishing and photo developing.

CONSOLIDATED FINANCIAL REVIEW

The business recession in North America had a serious impact on the Corporation's 1982 results. All CDC businesses were affected by the reduced volume of activity and, to a lesser extent, by the high interest rates that prevailed for most of the year. CDC companies committed $720.9 million to capital expenditures (including capitalized interest and administration of $241.6 million) during the year, up from $565.3 million in 1982. Spending on research and development totalled $79.6 million during 1982, up 37% from 1981 and one of the highest amounts spent by any Canadian corporation. Working capital remained strong at $659.6 million.

ECONOMIC CONDITIONS AND 1982 RESULTS

The economic downturn which began in mid 1981 continued through 1982, making it the longest recession since the 1930s. A sustainable economic recovery did not begin until near the end of 1982. In Canada, the drop in economic activity was much sharper than in the United States. Interest rates declined toward the end of the year only after a sharp and unforeseen rise during the first half.

The following table provides a contribution profile by business segment for 1982, with comparative figures for 1981.

CONTRIBUTION SUMMARY
(millions)

	1982		1981	
	Revenue	**Net Income (Loss)**	Revenue	Net Income (Loss)
Canterra	**$ 596.7**	**$ (14.4)**	$ 260.8	$ 0.1
Kidd Creek	**324.3**	**(37.3)**	116.9	67.6*
Polysar Petrochemicals	**2,249.8**	**(38.6)**	2,320.5	14.7
CDC Data Systems	**649.8**	**(10.3)**	218.5	8.9
CDC Life Sciences	**152.8**	**3.9**	170.0	1.9
Fishery Products	**–**	**(7.1)**	–	(1.6)
Sentrol	**30.2**	**(5.8)**	15.1	(7.2)
CDC Ventures	**–**	**–**	–	(3.2)
CDC Corporate	**7.7**	**(16.2)**	34.6	3.9
Total	**$4,011.3**	**$(125.8)**	$3,136.4	$85.1

*For the period prior to September 30, 1981, results of Kidd Creek include equity earnings from CDC's 35% interest in Texasgulf.

The consolidated loss for the year ended December 31, 1982, before payment of preferred dividends, was $125.8 million, compared with a profit of $85.1 million in 1981. The net loss per common share after payment of preferred dividends was $4.52, compared with a profit of $1.46 a share a year ago. The loss during 1982 was the first in the Corporation's history. Revenue for the latest period totalled $4 billion, up 28% from 1981 and a record for the Corporation.

The increase in 1982 over 1981 revenues primarily reflected the acquisitions of Canterra and Kidd Creek–both purchased during 1981–and Savin in 1982. The 1981 resource acquisitions–Canterra and Kidd Creek–provided CDC with direct control over some of the most valuable resource assets in Canada, but they cause CDC's earnings to vary over the business cycle.

The largest contributors to the 1982 loss were the mining and petrochemical sectors. In mining, lower volumes of metals sold, combined with depressed prices for zinc and copper, resulted in a financial performance that was well below historical levels for the Kidd Creek Mine.

In petrochemicals, facilities operated at less than 70% of capacity during the year, reflecting sharply lower customer demand for rubber and other plastics products from the automotive and housing industries, both of which continued to experience cyclical declines in output. Polysar was generally able to maintain product margins at 1981 levels. Canterra performed well despite reduced sales volumes for oil, natural gas and sulphur in its Canadian operations.

In the manufacturing and high technology group, results generally fell short of those expected. Both AES Data and Savin experienced heavy competition in the key North American market. Intense competitive pressures also affected both Sentrol and Fishery Products, while companies in the Life Sciences group showed generally good results for the year.

Interest rates took longer to decline than expected, which increased interest expense. Thus, interest payments totalled $697 million compared with $318 million in 1981. The London Interbank Offered Rate (LIBOR), a key interest rate of CDC, declined from a high of 15% during the first quarter to 12% in the fourth quarter.

The following table provides quarter-by-quarter contributions to CDC.

QUARTERLY RESULTS
(millions)

	First Quarter		**Second Quarter**		**Third Quarter**		**Fourth Quarter**	
	Revenues	Profit (Loss)	Revenues	Profit (Loss)	Revenues	Profit (Loss)	Revenues	Profit (Loss)
Canterra	$158.6	$ 0.7	$ 160.5	$ (8.5)	$130.3	$ (14.6)	$ 147.3	$ 8.0
Kidd Creek	68.6	(6.7)	74.4	(8.0)	71.3	(14.4)	110.0	(8.2)
Polysar Petrochemicals	570.1	(7.9)	571.6	(0.4)	529.0	(14.4)	579.1	(15.9)
CDC Data Systems	65.8	0.8	198.2	(2.9)	187.4	(5.3)	198.4	(2.9)
CDC Life Sciences	33.1	(2.1)	43.7	2.5	40.0	2.7	36.0	0.8
Fishery Products	–	(2.7)	–	(0.5)	–	(0.5)	–	(3.4)
Sentrol	5.8	(2.4)	8.2	(2.1)	7.4	(0.1)	8.8	(1.2)
CDC Ventures	–	(2.9)	–	–	–	(1.3)	–	4.2
CDC Corporate	1.6	(1.7)	2.0	(4.8)	3.0	(4.5)	1.1	(5.2)
Totals	$903.6	$ (24.9)	$1,058.6	$ (24.7)	$968.4	$ (52.4)	$1,080.7	$ (23.8)

CDC operated at a loss during each 1982 quarter, although conditions showed some improvement during the fourth quarter as a result of higher volumes, lower interest rates, somewhat improved metals prices and the effect of cost-cutting measures undertaken. The decline in business activity during the 1982 third quarter–traditionally a period of lower activity for CDC companies–was particularly severe and marked the low point for the year.

CASH FLOW

Cash generated from operations and available from previously committed credit facilities allowed the Corporation to meet all commitments during the year and carry out a scaled-back capital expenditure program from what was anticipated at the beginning of 1982. Consolidated cash flow before interest expense totalled $642.9 million during 1982. After payment of all interest expense, including amounts capitalized, the Corporation's free cash flow was a negative $158.3 million.

The following table outlines the 1982 cash flows from each business sector:

CASH FLOW
(millions)

	Cash flow before interest	Cash flow from operations	Free cash flow
Canterra	$361.0	$129.6	$ (2.7)
Kidd Creek	53.3	(23.8)	(79.0)
Polysar Petrochemicals	132.7	45.1	(57.5)
CDC Data Systems	59.2	24.1	23.0
CDC Life Sciences	16.9	14.1	10.9
Sentrol	(6.8)	(8.3)	(8.3)
CDC Corporate	26.6	(11.4)	(44.7)
Totals	$642.9	$169.4	$(158.3)

Significant cutbacks in capital expenditures, production and employment levels were made during the year in response to deteriorating conditions. Cutbacks in capital spending from projected levels offset the greater part of the shortfall from anticipated levels in cash flow from operations.

The volume of business at Polysar during 1982 was not sufficient to cover all overhead costs, which resulted in actions to reduce manpower levels, plant shutdowns to reduce inventories, wage and salary freezes, and cutbacks in capital spending. Interest payments of $132 million and higher inventory levels caused the negative cash flow at Kidd Creek, although the Company's financial and operating performance compared favourably with other companies in the mining industry. For CDC, management actions had resulted in consolidated free cash flow being virtually at a breakeven level by the fourth quarter of the year.

CAPITAL EXPENDITURES

During 1982, CDC companies spent an aggregate of $479.3 million (excluding capitalized interest and administration of $241.6 million) on additions to property, plant and equipment, as well as exploring for new oil and gas resources. This compares with $464.4 million (excluding capitalized interest of $100.9 million) spent during 1981. In addition, another $79.6 million was invested in research and development by CDC companies. The following table breaks down these amounts.

INVESTMENT SPENDING
(millions)

	New additions to assets	Capitalized interest and administration	Research and development
Canterra	$199.2	$132.3	$ –
Kidd Creek	51.2	55.2	–
Polysar Petrochemicals	195.3	53.9	27.1
CDC Data Systems	27.7	0.2	35.4
CDC Life Sciences	5.1	–	14.9
Sentrol	0.6	–	2.2
CDC	0.2	–	–
Totals	$479.3	$241.6	$79.6

At Canterra, the largest proportion of capital spending was in exploration and additions to production facilities. Kidd Creek completed its new copper smelter and refinery, while Polysar continued work on the expansion of its butyl and waste treatment facilities in Sarnia, now scheduled for completion during 1983. Construction also continued on Petrosar's vacuum upgrader. At year end, the total amount spent on these facilities was $823.3 million from which there had been almost no offsetting revenue during 1982.

For 1983, capital expenditures have been significantly reduced from earlier projections. On a consolidated basis, capital expenditures will not exceed free cash flow generated during 1983. Because of this policy, CDC is projecting a modest decline in debt outstanding by the end of 1983 over comparable levels in 1982.

EMPLOYEES

At December 31, 1982, CDC operating companies, excluding 40.8% owned Fishery Products and the smaller operations in the life sciences and venture capital areas, employed 20,657 people. During the year, manpower reductions totalling 2,508 individuals were made in these CDC companies. The following table provides a breakdown of employees.

EMPLOYEES

	1982	1981	Reduction
Canterra	**1,500**	1,622	122
Kidd Creek	**3,190**	3,243	53
Polysar Petrochemicals	**7,331**	8,413	1,082
AES	**2,000**	2,389	389
Savin	**5,300**	6,000	700
Connaught	**882**	993	111
Sentrol	**454**	505	51
Totals	**20,657**	23,165	2,508

The levels at the end of 1982 are about 3,000 below those previously expected for the end of the year. Programs

announced during 1982 but carried out during the 1983 first quarter led to a further reduction of more than 900 people, bringing the total manpower decrease to about 3,500.

Salary freezes were implemented in almost all CDC companies, and will be continued during 1983. These actions have helped to intensify cost awareness throughout the CDC group. The full impact of all cost-containment measures taken during 1982, along with other planned initiatives, will have a significant impact on cash flow and earnings during the latter part of 1983 and beyond.

CONSOLIDATED CAPITAL POSITION

Despite the adverse business climate and unsatisfactory results, CDC maintained adequate working capital by drawing down long-term credit facilities. By the end of 1982, CDC had long-term debt outstanding of $4.5 billion, of which 86% was at floating interest rates. No new equity was issued during the year. CDC companies added $391.4 million in short-term debt during 1982.

The two major resource acquisitions in 1981 were financed by a $2.1 billion (U.S.) syndicated loan facility involving 28 Canadian and international banks. At the end of 1982, the full amount of this facility had been drawn down, amounting to $2.6 billion in Canadian currency, compared with $2.3 billion at the end of 1981. This credit bears interest at a rate of one half of 1% over LIBOR from 1981-86 and five-eighths of 1% over LIBOR from 1987-92. Principal repayments begin in late 1986 and are made in ten equal semi-annual instalments.

The following table provides the Corporation's consolidated capitalization at December 31, 1982.

CONSOLIDATED CAPITALIZATION
(millions)

Deferred income tax	$ 174.6	2.7%
Minority interest–term preferred	458.2	7.0
–other	223.7	3.5
Long-term debt	4,540.9	69.8
Common stock	338.9	5.2
Convertible preferred stock	432.6	6.6
Retained earnings	340.4	5.2
	$6,509.3	100.0

The Corporation's major objective for 1983 and beyond is to improve its financial position. The rapid growth of the Corporation has been achieved mainly through debt financing. Reducing consolidated debt will come about as a result of a return to profitable operations, reduced cash requirements, external equity financing, fixing interest rates on floating-rate debt and selling non-strategic assets. During the 1983 first quarter, two equity-type financings were announced with proceeds being used to reduce consolidated debt.

SENSITIVITIES

The major sensitivities to CDC's financial results are interest rates on its debt, and the selling prices and sales volumes for a number of commodity products. A 1% decline in interest rates for all floating-rate debt would increase cash flow before tax by $45.6 million. For commodity prices, the largest sensitivities are for copper, zinc and sulphur as illustrated by the following table.

PRICE SENSITIVITIES
(millions)

	1982 Average prices	Impact on pre-tax cash flow
Copper (10¢/lb. change)	**0.84**	$14.9
Zinc (5¢/lb. change)	**0.48**	14.6
Silver ($1/oz.)	**10.76**	3.5
Potash ($10/tonne)	**95.00**	3.1
Polysar Products (1% change)	**1645.00**	13.2
Sulphur (10% change)	**100.00**	11.0
Oil (1% change)	**26.59**	1.7
Natural Gas (1% change)	**2.93**	1.2

*Calculated on the basis of 1982 prices and volumes

The most likely environment for 1983 is one of slow, disinflationary growth and recovery, with a good base being established during the year for higher and sustained levels of expansion throughout 1984 and beyond. Real GNP is expected to advance 3.0% in the United States and 2.5% in Canada. Inflation in Canada is expected to moderate further but will not be as low as what will be experienced in the United States.

For 1983, CDC companies are forecasting no significant improvement in prices and volumes from levels at the end of 1982. The profitable operations forecasted for 1983 come from a modest pick-up in the resource sector, extensive cost-containment measures and lower average interest rates than what prevailed during 1982. Further cost-cutting actions are planned for 1983.

FINANCIAL POSITION AT DECEMBER 31, 1982

CDC ended 1982 with a strong working capital position and a significantly reduced cost base. The Corporation is well placed to benefit from the expected modest recovery during 1983 and to be in a position to make sizeable gains as the recovery gains momentum in subsequent years.

No new investments are planned during 1983 as emphasis is placed on repaying debt, further reducing costs and improving the productivity of existing assets. Working capital at the end of 1982 totalled $659.6 million, compared with $784.1 million in 1981.

GLOSSARY

FINANCIAL TERMS

Amortization involves spreading the cost of a large expenditure proportionately over a fixed period of time. Usually, it is done by treating a portion of the total cost of an asset as an expense and deducting this from revenue in calculating profit for a particular fiscal period. Amortization expense is not a cash cost.

Book value is the amount of the net assets (after deducting depreciation expense) shown on the balance sheet.

Capital indicates the total investment of shareholders in a business at a given time. It can be calculated by subtracting from the total assets all liabilities other than those of the owners. Capital can also mean all types of capital invested in a business, including long-term loans, deferred taxes, equity and retained earnings.

Capital asset These can be either of a tangible or intangible nature. Normally, capital assets are expected to be used or held over several fiscal periods.

Capitalized expenses Capital expenditures usually involve more than the cost of acquiring or constructing a capital asset. For example, the interest on money borrowed during the period when construction takes place is often considered a cost of the asset and added to it.

Cash flow is the sum of net income and non-cash charges, such as depreciation, depletion or amortization.

Deferred income tax The accumulated amounts by which income taxes charged in the accounts have been increased (accumulated tax allocation credit) or decreased (accumulated tax allocation debit) as a result of timing differences.

Depletion is a non-cash expense that is deducted from revenue during a period in order to compute net income. Depletion generally involves the gradual using up or consumption of a natural resource, such as oil or natural gas.

Depreciation The cost of a fixed asset is usually expensed by a company over a period of time that it contributes to operations. Depreciation expense does not involve a cash outlay but is an attempt to match the cost of an asset with the actual goods and services it produces.

Equity value is the carrying value of an intercorporate investment. It is calculated by recording the investment at its cost and adjusting it regularly for the Corporation's proportionate share of earnings computed on a consolidated basis.

Fully diluted earnings per share CDC has issued two types of preferred shares–the Class B and 1980s–that are convertible into common shares. Fully diluted earnings per share are calculated by assuming that these two classes of preferred shares are converted into common shares.

Free cash flow This is cash flow after deducting all financing charges, including dividends, paid by CDC and its subsidiaries.

Minority interest This is the equity of shareholders in subsidiary companies in which CDC does not hold a 100% interest. Petrosar, AES Data and Savin are examples of companies where shareholders, other than CDC, hold equity interests. CDC consolidates these companies in its financial statements and shows the minority interest portion as a claim on the balance sheet and as a deduction on the statement of income.

Retained earnings This is the portion of a company's net income which has been reinvested in the business. It is the accumulated profits since incorporation, less losses and dividends paid to shareholders.

Working capital This is the excess of current assets over current liabilities.

Write-off Write-off is the transfer of an item, which was considered an asset, to an expense account. For example, an account receivable–normally considered an asset–becomes a bad debt expense when determined uncollectable and is written-off.

OTHER TERMS USED BY CDC COMPANIES

Bitumen is an extremely tarry form of oil that coats individual particles of sand in an ore body. It is extracted from ore, freed of impurities and upgraded to form what is known as synthetic crude oil.

Butyl rubber is a synthetic rubber made from two oil-derived petrochemicals–isoprene and isobutylene. Butyl rubber retains air better than other rubbers and resists degradation very well. It is used in tires, industrial belting, shock absorbers, roofing and reservoir liners, caulks and sealants, glazing tapes, chewing gum.

Conventional old oil prices (COOP) is a scheduled price of oil under government energy policy, which rises at $4.00 a barrel every six months, but is limited to 75% of the world oil price.

Enhanced oil recovery involves injection of water, natural gas, steam or chemicals into a depleted reservoir to force the remaining petroleum reserves into the well bore and to the surface.

Ethylene is a basic commodity in the petrochemical industry and is used for the manufacture of a wide spectrum of organic chemicals and polyethylene plastic.

Ion deposition technology is an electronic offset printing technique using a reusable dielectric medium. Ions charge this dielectric surface and create a non-visible image. A visible image is then developed using a dry ink.

Gross production is an oil company's portion of revenue or petroleum production before payment of royalties.

Latex is a milk-like emulsion of small particles of rubber suspended in water. It is used for carpet backings and underlay, mattresses and cushioning, paper coatings, and adhesives.

Naphtha is the general name for mixtures of hydrocarbons obtained from petroleum which are processed into several important petrochemicals such as ethylene, benzene, butadiene, propylene, isobutylene and isopentane.

Net production is a company's portion of revenue or petroleum production after payment of royalties.

New oil reference price (NORP) is the average of international prices for oil landed at Montreal. Oil qualifying for NORP is oil discovered after December 31, 1980, all enhanced recovery and experimental schemes, and any well not produced for three years or more. NORP is currently about $41.35/bbl.

Nitrile rubber is a synthetic rubber made from acrylonitrile and butadiene. It is used when oil or heat resistance is required in a finished product. For example, oil seals and gaskets, hoses, cable jacketing, printing rollers and footwear use nitrile rubber.

Polystyrene is a thermoplastic made from styrene monomer. It is one of the most versatile of plastics and used in literally thousands of articles including toys, tape reels, food packaging and insulation sheeting.

Potash is a word that is derived from the old method of producing potassium carbonate by bleaching wood ashes and evaporating the solutions collected in large iron pots. The white residue left in the pot was called "pot ash." Today, it has become the term widely applied to naturally occurring potassium salts and the commercial products derived from them.

Shared-logic word processor combines pieces of equipment that use one computer as a common data base. A shared system has several visual display terminals (VDT) connected to the computer. Each terminal is thus able to access the memory of the computer.

Sour gas is the term for natural gas that is contaminated with hydrogen sulphide or other sulphur compounds. These must be removed before gas can be used for commercial or domestic purposes.

Special old oil price (SOOP) is 75% of NORP until the Canadian old oil price (COOP) reaches that level, then it is the same as COOP. Alberta oil discoveries made between January 1974 and December 1980 qualify for the special old oil price.

Stand-alone word processor consists of a single station used by one person at a time. It is self-contained and is not hooked up to or does not share the processing power of a central computer.

Styrene is a petrochemical made from benzene and ethylene and used to make several large volume synthetic rubbers such as styrene-butadiene rubbers (SBR), as well as polystyrene resin.

CANADA DEVELOPMENT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1982

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of Canada Development Corporation is presented to assist the reader of the financial statements. These accounting policies are in conformity with accounting principles generally accepted in Canada which are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee.

Principles of Consolidation The consolidated financial statements incorporate the financial position, operating results and changes in financial position of the Corporation and its subsidiary companies which are listed in note 12.

Foreign Currency Translation Non-Canadian current assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. All other assets and liabilities are translated at the rates prevailing when the assets were acquired or the liabilities incurred. Revenue and expenses, except depreciation, depletion and amortization, are translated at rates in effect during the year. Gains or losses resulting from such translation practices are reflected in the consolidated statement of income.

Inventories Inventories are valued at the lower of cost and net realizable value.

Long-Term Investments The Corporation accounts for investments in companies over which it has significant influence on an equity basis. Other long-term investments are accounted for by the cost method.

Property, Plant and Equipment

(a) **Cost**

Property, plant and equipment are recorded at cost. Fixed asset additions include related interest costs incurred during major plant construction.

The Corporation follows the full cost method of accounting for oil, gas and sulphur operations, whereby all costs of acquiring properties, exploring for and developing oil, gas and sulphur and related reserves are capitalized in various cost centres. Such costs include land acquisition, drilling both productive and non-productive wells, overhead expenses and financing costs.

Expenditures on mining exploration projects are expensed pending determination of commercially recoverable reserves. Upon such determination, further expenses will be capitalized.

(b) **Depreciation, Depletion and Amortization**

Depreciation of plant and equipment is based on the estimated useful life of the assets from commencement of commercial production and is calculated on the straight-line, diminishing balance or unit-of-production basis as considered most appropriate.

For oil, gas and sulphur operations, depletion of cost centres with producing oil and gas properties is provided by the unit-of-production basis based on the estimated proven recoverable reserves of each cost centre as determined by the Corporation. Costs of non-producing properties in producing cost centres are amortized on a straight-line basis over the anticipated period of exploration to each cost centre; if exploration proves to be successful, amortization is suspended and the unamortized balance is depleted on the unit-of-production basis.

For mining properties, depletion is provided on the unit-of-production basis based on the proven recoverable reserves as determined by the Corporation.

Pre-Production Expenditures Pre-production expenditures incurred in connection with major new production facilities are deferred and amortized from commencement of production on the straight-line basis over a period generally not exceeding ten years.

Goodwill Goodwill arising on acquisitions is being amortized over the expected period of benefit, not to exceed forty years. If it becomes apparent that the expected value will not be realized it will be appropriately written down.

CONSOLIDATED BALANCE SHEET

ASSETS	December 31 1982	1981
	(thousands of dollars)	
Current Assets		
Accounts receivable	$ 780,684	$ 739,399
Inventories (note 1)	866,466	826,444
Other current assets	28,997	14,135
	1,676,147	1,579,978
Long-Term Investments (note 2)	220,057	154,575
Property, Plant and Equipment (note 3)	5,359,748	4,839,933
Other Assets (note 4)	269,938	209,182
	$7,525,890	$6,783,668
LIABILITIES		
Current Liabilities		
Short-term loans	$ 434,455	$ 43,019
Accounts payable and accrued liabilities	555,344	663,838
Dividends payable	6,462	6,463
Income and other taxes payable		8,782
Long-term debt due within one year	20,253	73,750
	1,016,514	795,852
Long-Term Debt (note 5)	4,540,947	3,862,001
Deferred Income Taxes	174,639	220,947
Interests of Minority Shareholders (note 6)	681,924	634,753
	6,414,024	5,513,553
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	771,489	769,425
Retained Earnings	340,377	500,690
	1,111,866	1,270,115
	$7,525,890	$6,783,668

Approved on behalf of the Board

Director

Director

A glossary of financial terms appears on page 38

CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31 1982	1981
	(thousands of dollars)	
Revenue	**$4,011,266**	$3,136,351
Expenses		
Cost of sales	**3,091,681**	2,452,809
Selling, administration and research	**573,102**	329,216
Interest on long-term debt	**390,832**	164,848
Other interest	**82,671**	59,651
	4,138,286	3,006,524
	(127,020)	129,827
Equity in earnings of other companies	**7,902**	70,587
Income (loss) before the undernoted	**(119,118)**	200,414
Translation losses	**1,030**	15,323
Income taxes (recovery)	**(37,600)**	47,218
Minority interest	**43,225**	65,365
Gain on sale of investments		(12,595)
	6,655	115,311
Net Income (loss)	**$ (125,773)**	$ 85,103
Earnings (loss) per common share after dividends on preferred shares	**$(4.52)**	$1.46
Fully diluted earnings per common share		$1.25

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31 1982	1981
	(thousands of dollars)	
Retained Earnings at Beginning of Year	**$ 500,690**	$ 451,613
Net income (loss)	**(125,773)**	85,103
	374,917	536,716
Dividends on preferred shares	**33,340**	34,826
Amortization of cost of preferred share issues	**1,200**	1,200
	34,540	36,026
Retained Earnings at End of Year	**$ 340,377**	$ 500,690

A glossary of financial terms appears on page 38

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31 **1982**	1981
	(thousands of dollars)	
Working Capital Derived From		
Operations		
Net Income (loss)	**$ (125,773)**	$ 85,103
Items not involving working capital		
Depreciation and depletion	**264,165**	131,437
Amortization	**30,690**	33,215
Increase in equity in other companies	**(6,502)**	(42,004)
Deferred income taxes (recovery)	**(36,433)**	45,594
Minority interest	**43,225**	65,365
Cash flow from operations	**169,372**	318,710
Issues of long-term debt	**660,300**	2,668,035
Issues of capital stock	**2,064**	2,059
Working capital of subsidiary acquired net of investment of $92,961 (note 8)	**111,154**	
	942,890	2,988,804
Working Capital Applied To		
Acquisition of subsidiaries, net of working capital acquired of $395,962		1,890,703
Additions to property, plant and equipment	**720,889**	565,319
Investment in other companies	**14,001**	37,512
Dividends on preferred shares	**33,340**	34,826
Reductions of long-term debt	**166,953**	68,660
Redemption of capital stock		100,000
Additions to other assets	**55,124**	16,987
Net decrease in investment by minority shareholders	**24,275**	45,722
Dividends to minority shareholders	**52,801**	61,821
	1,067,383	2,821,550
Increase (decrease) in Working Capital	**(124,493)**	167,254
Working Capital at Beginning of Year	**784,126**	616,872
Working Capital at End of Year	**$ 659,633**	$ 784,126

A glossary of financial terms appears on page 38

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1982

1. INVENTORIES	**1982**	1981
	(thousands of dollars)	
Finished goods	**$418,973**	$386,600
Raw materials and work in progress	**312,600**	339,868
Operating and maintenance supplies	**134,893**	99,976
	$866,466	$826,444

2. LONG-TERM INVESTMENTS	**1982**	1981
	(thousands of dollars)	
Oil and gas	**$ 33,159**	$ 26,351
Petrochemicals	**39,064**	28,620
Office Information Products	**52,017**	35,164
Life sciences	**32,458**	5,200
Fishing	**24,568**	30,248
Venture and expansion capital	**38,791**	28,992
	$220,057	$154,575

3. PROPERTY, PLANT AND EQUIPMENT	**1982**			1981
	(thousands of dollars)			
	Cost	Accumulated depreciation and depletion	Net	Net
Resource				
Oil and gas	**$2,876,765**	**$219,211**	**$2,657,554**	$2,409,511
Mining	**1,213,573**	**41,928**	**1,171,645**	1,160,317
Petrochemicals	**1,800,824**	**457,284**	**1,343,540**	1,177,815
	5,891,162	**718,423**	**5,172,739**	4,747,643
Non-resource	**348,927**	**161,918**	**187,009**	92,290
	$6,240,089	**$880,341**	**$5,359,748**	$4,839,933

Included in additions to property, plant and equipment is $241.6 million (1981, $100.9 million) of capitalized overhead and financing costs.

4. OTHER ASSETS	**1982**	1981
	(thousands of dollars)	
Pre-production and deferred expenses	**$142,706**	$ 58,557
Goodwill	**59,072**	86,864
Cost of long-term financings	**22,222**	17,843
Long-term receivables	**45,938**	45,918
	$269,938	$209,182

During the next five fiscal years, pre-production and deferred expenses and goodwill are expected to be amortized to income at the rate of $35.7 million annually.

5. LONG-TERM DEBT	**1982**	1981
	(thousands of dollars)	
Canada Development Corporation		
Floating rate syndicated loan, secured, repayable in equal instalments 1987 through 1991 (United States dollars)	**$2,552,061**	$2,251,089
Income debentures, due 1984 (United States dollars)	**61,350**	61,350
4.375% Notes, due 1985 (Swiss francs)	**153,988**	153,988
Convertible subordinated debentures, due 1990	**2,170**	2,170
8% Notes due 1992	**5,192**	
	2,774,761	2,468,597
CDC Data Systems Limited		
11.75% Mortgage, due 2004	**1,363**	1,376
Floating rate bank loans, due 1985 and 1989	**11,000**	
Other	**725**	1,412
In United States dollars		
11.38% Subordinated debentures, due 1998	**72,098**	
14% Subordinated debentures, due 2000	**45,011**	
9.6% average rate, Industrial Development Bonds, repayable through 2001	**22,232**	
4% to 13.3% Mortgages, repayable through 1999	**7,246**	
16.7% average rate, capitalized lease obligations, expiry through 1987	**8,456**	
Royalties payable	**11,908**	
Customer prepayments	**8,252**	
Long term payables	**15,480**	
Other	**13,235**	
	217,006	2,788
CDC Life Sciences Inc.		
8% Mortgages, repayable through 1997 (United States dollars)	**4,062**	4,261
9.25% Mortgage, repayable through 1985 (United States dollars)	**2,582**	2,707
Floating rate note, due 1983	**1,833**	2,733
3.875% Bank loan, due 1986 (Swiss francs)		8,527
Other	**944**	4,988
	9,421	23,216
Canterra Energy Ltd.		
Floating rate bank loans, due 1984 to 1992 (United States dollars)	**158,572**	196,284
Floating rate bank loans, due 1984 to 1990	**67,007**	16,821
11.25% Notes, due 1985 (United States dollars)	**36,015**	36,015
10.25% Mortgage due 1995	**13,743**	13,837
Floating rate multi-currency revolving line of credit	**144,600**	122,123
5.75% Notes, due 1986 (Swiss francs)	**36,115**	36,115
Customer prepayments	**37,320**	12,559
Floating rate notes, due 1991		50,000
Other	**3,832**	4,330
	497,204	488,084
Kidd Creek Mines Ltd.		
Floating rate bank loans, due 1984 (United States dollars)	**353,788**	330,000
10% Debentures, due 1986	**16,991**	16,991
9.25% Notes, due 1982		25,000
5.75% Notes, due 1986 (United States dollars)		8,850
Other	**5,000**	2,857
	375,779	383,698
Petrosar Limited		
Floating rate bank loans, due 1985 to 1989	**100,000**	100,000

Polysar Limited		
Floating rate term loan, due 1992	**50,000**	
Floating rate term loan, due 1986 through 1995	**20,000**	20,000
7.5% Sinking fund debentures, due 1987	**6,479**	6,479
9% Sinking fund debentures, due 1993..	**28,299**	28,304
In United States dollars		
9.5% Debentures, due 1986	**50,613**	50,613
Floating rate term loans, repayable 1983 through 1987	**99,975**	108,950
6.83% average rate, Notes and mortgages, repayable through 2003	**10,882**	11,545
Capitalized lease obligations, expiring through 1985	**4,109**	5,112
10% Debentures, due 1982		34,257
In other currencies		
Floating rate term loan, due 1984 through 1988 (French francs)......	**20,878**	18,500
Floating rate multi-currency term loan, due 1986 through 1993.......	**276,527**	148,182
13.5% Loan, due 1987 through 1991 (Dutch guilders)	**14,190**	14,190
Other	**5,077**	23,236
	587,029	469,368
	4,561,200	3,935,751
Less principal due within one year......	**20,253**	73,750
	$4,540,947	$3,862,001

(i) During 1982, a total of U.S. $238 million was drawn against the Corporation's U.S. $2,100 million secured floating rate syndicated term loan. This represented the balance of the credit facility not drawn in 1981.
The loan bears interest at a rate of one-half of one percent over the London Interbank Offered Rate (LIBOR) for the first five years and five-eighths of one percent over LIBOR for the remaining five years. It is secured by shares and notes of the Corporation's oil and gas subsidiaries.
The agreement relating to this loan requires the Corporation to maintain certain financial measurements which at December 31, 1982, have been adhered to by the Corporation.

(ii) Long-term debt payable in foreign currency if converted into Canadian dollars on the basis of exchange rates prevailing at December 31, 1982, would increase by approximately $78.4 million.

(iii) The total sinking fund requirements and long-term debt due in each of the next five fiscal years are as follows:
1983 $20.2 million; 1984 $605.9 million; 1985 $256.6 million; 1986 $192.2 million; 1987 $649.4 million.

6. INTERESTS OF MINORITY SHAREHOLDERS

	1982	1981
Preferred equity	(thousands of dollars)	
Petrosar		
Class A	**$300,000**	$350,000
Class B	**65,000**	26,000
Class C	**69,629**	69,629
Polysar		
First Preferred	**44,241**	50,000
Polysar Holdings (a subsidiary)	**85,000**	85,000
CDC Life Sciences		
Class A	**5,000**	5,000
Connaught Laboratories (a subsidiary)	**24,000**	27,000
CDC Data Systems		
Savin Corporation (a subsidiary) ...	**14,984**	
	607,854	612,629
Common equity.........	**74,070**	22,124
	$681,924	$634,753

(i) Petrosar's Class A redeemable preference shares bear a cumulative dividend at an annual rate of 1.35% plus 52% of the Canadian bank prime rate. Of these shares, $60 million are redeemable per annum through 1987.

Petrosar's 650,000 Class B preference shares are redeemable at their par value of $1 each only after dividends have been paid aggregating $100 per share plus 60 cents for each month that the shares have been outstanding.

The Class B shares are issued pursuant to an agreement whereby certain shareholders, including Polysar, have agreed to provide Petrosar with sufficient funds to enable it to pay the dividend on the Class A preference shares if Petrosar is unable to pay such dividends and to purchase these shares if not redeemed as scheduled. Polysar's portion of such obligation is 48%. During 1982, Petrosar issued $75 million Class B shares, $36 million of these to Polysar.

Petrosar's Class C shares are redeemable at their par value of $100 per share. Dividends on these shares have been waived until June 1, 1983.

(ii) Polysar was obligated during the 30 day period ending March 1, 1982, to invite tenders from all holders of First Preferred Shares for the purchase of their shares at $25 per share. A total of $5.8 million of the First Preferred Shares were tendered for redemption. Effective April 1, 1982, the rate of dividend payable on the First Preferred Shares was increased from 8.4% to 15.5% per annum, and provision was made for a further retraction privilege on July 1, 1987. First Preferred Shares are not redeemable prior to July 1, 1985, but thereafter, will be redeemable at the option of Polysar at a redemption price of $27 per share reducing thereafter to $25 per share.

Polysar Holdings' $85 million redeemable preferred shares bear a cumulative dividend of 1.25% plus one-half the prime rate of a Canadian bank. Redemptions are required to be made in equal annual amounts from 1986 through 1988 inclusive.

(iii) CDC Life Sciences' $5 million Class A preferred shares bear a dividend of 2%, plus one-half the prime rate of a Canadian bank. The shares are redeemable at $25 per share after July 31, 1983 and not later than September 30, 1991.

Connaught Laboratories' $24 million redeemable preferred shares bear a cumulative dividend of 1% plus one-half the prime

rate of a Canadian bank. These shares are redeemable in equal annual amounts of $3 million through 1986, with the balance redeemable in 1987.

(iv) Savin Corporation's 673,750 $1.50 U.S. Series A cumulative preferred shares are convertible into one share of Savin's common stock and are entitled to $20 U.S. per share upon voluntary or involuntary liquidation. The shares are redeemable after June 1, 1986, at the option of Savin, at $20 U.S. per share.

7. CAPITAL STOCK

(i) Authorized
Preferred
$1,000,000,000 divided into shares with a par value in any multiple of $5 not exceeding $1,000 each.
Common
200,000,000 shares without par value

	1982	1981
(ii) Issued	(thousands of dollars)	
Preferred		
1,325,759 8% cumulative, redeemable, convertible, voting Class B preferred shares of $100 each (1981, 1,325,787 shares)	**$132,576**	$132,579
15,000,000 7.60% cumulative, redeemable, convertible, voting 1980 preferred shares of $20 each	**300,000**	300,000
Common		
35,382,010 shares (1981, 35,036,918 shares)	**338,913**	336,846
	$771,489	$769,425

The Class B preferred shares are redeemable at par at the option of the holder from October 2, 1985 through October 1, 1986. They have been redeemable at the option of the Corporation since October 2, 1981 at $104 per share, reducing by $1 per year until October 2, 1985 when they become redeemable at $100 per share. Each Class B preferred share may be converted at any time at the option of the holder into ten common shares.

The 1980 preferred shares are not redeemable before October 15, 1983. From October 15, 1983 to October 14, 1985 they are redeemable, at the option of the Corporation at $21.20 per share, if the common shares trade for a specified period at not less than 125% of the conversion price of $15.75. From October 15, 1985 they are redeemable at the option of the Corporation at $21.20 per share reducing by 20¢ per year until October 15, 1990 when they become redeemable at $20 per share. Each 1980 preferred share may be converted at any time at the option of the holder into 1.27 common shares.

At meetings of shareholders, holders of Class B preferred shares are entitled to ten votes per share and holders of the 1980 preferred and the common shares are entitled to one vote per share.

(iii) Issued and redeemed during the year
280 common shares were issued upon conversion of Class B preferred shares. 344,812 common shares were issued for an aggregate consideration of $2,063,768 under the Dividend Reinvestment, Stock Dividend and Share Purchase Plans.

(iv) Common shares reserved
At December 31, 1982, common shares were reserved for issuance as follows:

Conversion of Class B preferred shares	13,257,590
Conversion of 1980 preferred shares	19,050,000
Dividend Reinvestment, Stock Dividend and Share Purchase Plans	1,446,194
Convertible Subordinated Debentures	176,428
	33,930,212

8. ACQUISITION

On January 22, 1982, the Corporation entered into an agreement to purchase shares from treasury representing a 57.1% interest in Savin Corporation of Valhalla, New York, for U.S. $75 million. Savin's shareholders approved the transaction on March 31, 1982 at which time the Corporation paid U.S. $40 million in cash. On February 17, 1983 the remaining U.S. $35 million was paid by the Corporation to Savin.

Results of operations are included in these financial statements from March 31, 1982.

Savin is mainly engaged in the marketing of office copiers through its distribution networks in Canada and the United States.
The acquisition has been accounted for by the purchase method as follows:

	(thousands of dollars)
Net assets acquired at fair value:	
Net working capital	**$204,115**
Property, plant and equipment	**135,073**
Other non-current assets	**53,611**
Goodwill	**9,967**
	402,766
Non-current liabilities	**226,007**
Minority interest	**83,798**
	309,805
	$ 92,961
Consideration given:	
Cash	**$ 49,932**
Promissory note	**43,029**
	$ 92,961

9. Segmented Information

(i) **Industry segments** The Corporation operates in the following industry segments:

(millions of dollars)	Petrochemicals		Oil and Gas		Mining	
	1982	1981	**1982**	1981(A)	**1982**	1981
Sale of products and services	**$2168.2**	$2293.0	**$ 567.0**	$ 247.9	**$ 322.1**	$ 116.2(B)
Interest and other income						
Total revenue						
Segment operating profit (loss)	**$ (15.3)**	$ 153.6	**$ 217.8**	$ 100.2	**$ 15.8**	$ 19.6
Corporate expenses						
Interest expense						
Equity in earnings (losses) of other companies	**$ 5.5**	$ 5.0	**$ 8.2**	$ 0.7		$ 69.8
Interest and other income						
Translation losses						
Income taxes						
Minority interest						
Gain on sale of investments						
Net income (loss)						
Identifiable assets	**$2271.8**	$2207.2	**$2918.4**	$2590.9	**$1415.3**	$1485.9
Corporate assets						
Total assets						
Capital expenditures	**$ 249.2**	$ 270.7	**$ 331.5**	$ 244.8	**$ 106.4**	$ 30.6
Depreciation, depletion and amortization	**$ 83.2**	$ 81.0	**$ 119.8**	$ 57.3	**$ 36.6**	$ 4.8

(A) Includes results of operations of Canterra Energy Ltd. from June 30, 1981.
(B) Represents results of operations of Kidd Creek Mines Ltd. from September 30, 1981.

(ii) **Geographic Segments** The Corporation considers its three geographic segments to be Canada, the United States, and Europe and the rest of the world.

Financial information with respect to these segments is as follows:

(millions of dollars)	Canada		United States		Europe and rest of world	
	1982	1981	**1982**	1981	**1982**	1981
Sale of products and services	**$2168.9**	$1830.6	**$ 970.7**	$502.0	**$723.6**	$717.1
Transfers between geographic segments	**308.6**	342.4	**22.5**	20.4	**13.0**	23.6
Interest and other income						
Total revenue	**$2477.5**	$2173.0	**$ 993.2**	$522.4	**$736.6**	$740.7
Segment operating profit (loss)	**$ 166.3**	$ 227.9	**$ 7.2**	$ 10.1	**$ 32.9**	$ 34.7
Corporate expenses						
Interest expense						
Equity in earnings of other companies						
Interest and other income						
Translation losses						
Income taxes						
Minority interest						
Gain on sale of investments						
Net income (loss)						
Identifiable assets	**$6048.5**	$5535.2	**$1027.4**	$664.2	**$378.1**	$527.4
Investment in other companies						
Corporate assets						
Total assets						

Transfers between geographic segments are accounted for at prices comparable to open market prices.
Canadian operations include export sales of $711.0 million (1981, $320.4 million.)

(iii) **Research and Development** Research and development expenditures charged to income amounted to $79.6 million (1981, $58.2 million).

	Office Information Products		Life Sciences		Industrial Automation		Fishing		Venture Capital		Consolidated	
	1982	1981	**1982**	1981	**1982**	1981	**1982**	1981	**1982**	1981	**1982**	1981
	$636.2	$214.9	**$139.5**	$162.6	**$30.2**	$15.1					**$3863.2**	$3049.7
											148.1	86.7
											$4011.3	$3136.4
	$ (7.1)	$ 3.8	**$ 5.6**	$ 5.0	**$ (9.6)**	$ (7.7)					**$ 207.2**	$ 274.5
											(8.9)	(6.9)
											(473.5)	(224.5)
		$ 0.5	**$ 1.3**	$ (0.1)			**$ (7.1)**	$ (1.6)		$ (3.7)	**7.9**	70.6
											148.1	86.7
											(1.0)	(15.3)
											37.6	(47.2)
											(43.2)	(65.4)
												12.6
											$ (125.8)	$ 85.1
	$689.5	$231.1	**$108.6**	$141.7	**$38.7**	$43.5	**$24.6**	$30.3	**$38.8**	$29.0	**$7505.7**	$6759.6
											20.2	24.1
											$7525.9	$6783.7
	$ 27.9	$ 11.3	**$ 5.1**	$ 5.9	**$ 0.6**	$ 0.7					**$ 720.7**	$ 564.0
	$ 45.2	$ 13.5	**$ 5.5**	$ 5.6	**$ 2.6**	$ 1.1					**$ 292.9**	$ 163.3

	Eliminations		Consolidated	
	1982	1981	**1982**	1981
			$3863.2	$3049.7
	$ (344.1)	$ (386.4)		
			148.1	86.7
	$ (344.1)	$ (386.4)	**$4011.3**	$3136.4
	$ 0.8	$ 1.8	**$ 207.2**	$ 274.5
			(8.9)	(6.9)
			(473.5)	(224.5)
			7.9	70.6
			148.1	86.7
			(1.0)	(15.3)
			37.6	(47.2)
			(43.2)	(65.4)
				12.6
			$ (125.8)	$ 85.1
	$ (168.4)	$ (121.8)	**$7285.6**	$6605.0
			220.1	154.6
			7505.7	6759.6
			20.2	24.1
			$7525.9	$6783.7

10. LITIGATION

The Corporation and certain of its subsidiaries have been named as defendants in various legal proceedings. These proceedings are being contested and it is not possible at this time to predict their outcome. Accordingly, no provision for liability, if any, has been made in the financial statements.

11. COMPARATIVE AMOUNTS

Certain 1981 amounts have been reclassified to conform to 1982 presentation.

12. CONSOLIDATED SUBSIDIARY COMPANIES

CDC Energy & Metals Limited
Exploration Minière Kidd Creek Ltée
Kahulu Creek Mining Company Limited
Kidd Creek Europe Ltd.
Kidd Creek Explorations Ltd.
Kidd Creek Mines Ltd.
Kidd Creek Potash Company
Land and Timber Company
Texasgulf Newfoundland Limited

CDC Data Systems Limited
AES Data Inc.
AES Belgium S.A.
AES Data Corporation
AES Data Finance B.V.
AES Data Holdings Inc.
AES Data International Inc.
AES Data (U.K.) Limited
AES Deutschland B.V.
AES Europe S.A.
AES GmbH
AES Holdings B.V.
AES Holdings (U.K.) Limited
AES Nederland B.V.
AES (Schweiz) A.G.
AWM Associates Inc.
Daisy Systems Holland B.V.
Daisy Systems Verkoop B.V.
International AES N.V.

Savin Corporation
Diversified Equipment Leasing Corp.
Magnetic Laboratories, Inc.
Savin Canada, Inc.
Savin GmbH
Senox Limited
Savin World Trade Corporation

CDC Life Sciences Inc.
Bio-Research Laboratories Ltd.
Bio Resources Inc.
Connaught Biologics Limited
Connaught Laboratories Inc.
Connaught Laboratories Limited
Connaught Laboratories (Export) Inc.
Connaught Laboratories (Ireland) Limited
Connaught do Brasil Industria e Comercio Limitada
Steele Chemicals Co. Ltd.

CDC Petroleum (1982) Inc.
Canterra Energy Ltd.
CDC Oil & Gas Limited
CDC Minerals Limited
CDC Oil & Gas International B.V.
CDC Oil & Gas (UK) Limited
CDC Producing Company
Al Aquitaine Exploration, Ltd.
Aquitaine Pennsylvania, Inc.
Canterbury Coal Company
K & J Coal Co., Inc.
Penmore S.A.
TG Hydrocarbons Limited
Universal Gas Co. Ltd.
Westacc B.V.

CDC Ventures Inc.
CapVest Limited
Silver Lynx Investments Limited

Petrosar Limited

Polysar Limited
Nippon Polymers Company Limited
Polysar Australia Pty. Ltd.
Polysar Belgium N.V.
Polysar Cayman Ltd.
Polysar de Venezuela S.A.
Polysar Deutschland GmbH
Polysar do Brasil Produtos Quimicos Ltda.
Polysar Europa S.A.
Polysar France S.A.
Polysar GmbH
Polysar Gulf Coast Inc.
Polysar Handelmaatschappij B.V.
Polysar Holdings Limited
Polysar Incorporated
Polysar Insurance Services Limited
Polysar International S.A.
Polysar Investments Netherlands B.V.
Polysar Italiana S.p.A.
Polysar Nederland B.V.
Polysar Skandinaviska A.B.
Polysar Technical Service Centre N.V.
Polysar (U.K.) Limited
Société Française Polysar
Synthetic Elastomers Development S.A.
Wolf GmbH

Sentrol Systems Ltd.
Nucleonic Data Systems, Inc.
Sensors Controls Pty. Ltd.
Sentrol System AB
Sentrol Systems GmbH
Sentrol Systems, Inc.
Sentrol Systems Oy

AUDITORS' REPORT

To the Shareholders of
Canada Development Corporation

We have examined the consolidated balance sheet of Canada Development Corporation as at December 31, 1982 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
March 8, 1983

THORNE RIDDELL
Chartered Accountants

CDC RELATIONSHIP WITH FEDERAL GOVERNMENT

The following are texts of letters exchanged between the federal government and CDC, which constituted an arrangement that was subsequently ratified by CDC shareholders at their Annual and Special General Meeting last June.

Mr. H. A. Hampson, 27th May, 1982
President and Chief Executive Officer,
Canada Development Corporation,
444 Yonge Street,
Toronto, Ontario.

Dear Mr. Hampson,

As the Minister charged with responsibility for the Government's interest in, and relationship with, Canada Development Corporation, I have met a number of times with you, with the Chairman of the Board, Mr. Sellers, with a committee of your directors, which includes Mr. Côté, Mr. Mingo and yourself and, on one occasion, informally, with the board of directors. Those discussions have encompassed a wide ranging review of the Government's role as a shareholder in CDC and have included the current nature of the business of CDC its future financial requirements and corporate plans; the relationships of the board and management to the Government as an investor; the position of Government as to a business enterprise created by Act of Parliament with public funds invested; the corporate mandate as expressed by the CDC Act; and the views of private investors.

We have acknowledged on each side that while from time to time there have been important differences of views on CDC's relationships to the Government–particularly as to whether CDC would act as a quasi-public business advisor to Government in addition to its purely commercial role–these differences have never led to interference by the Government in the business decisions taken by the board and management of the corporation. We have also acknowledged that failure to resolve these differences of approach and expectation would only serve to weaken CDC and the value of the shareholders' investment, including that of the Government. We have thus explored a number of avenues of approach which will confirm the private sector nature of the present business activity while at the same time allowing the Government an additional means of improving its understanding of current business conditions. With the conclusion of over ten years of CDC activity which has resulted in the creation of a major Canadian controlled pool of capital, the Government can now consider that a major policy purpose of CDC has been accomplished. For all the foregoing reasons, therefore, it is appropriate for the Government to realize on its investment over a period of time and redirect the proceeds to meet other public policy objectives.

To implement this policy effectively, I should have available to me as the responsible Minister the advice and guidance of individuals who are eminent in the financial community and knowledgeable in commercial matters. The most feasible procedure to arrange for this is through the use of a new corporation to be wholly owned by Government. The board of directors of the corporation would advise me as the responsible Minister and would make decisions regarding the Government's investment in CDC; subject to the approval of CDC shareholders and Parliament, the Government's interest in CDC will be held through the new corporation. The new corporation will be incorporated under the Canada Business Corporations Act by the CDC directors, who will hold its shares in trust for the Government, represented by me as the responsible Minister. I will be responsible for determining what changes should be made in the membership of the board before it assumes the responsibilities contemplated by this letter.

Each of us believes that these arrangements offer both the Government and CDC the prospect of achieving their respective goals in an atmosphere of good will, accommodation and mutual support. They recognize that the public policy considerations leading to the creation of CDC by Parliament have matured. It is a successful commercial vehicle and has contributed significantly to Canadian ownership of our economy. The new corporation will not only provide a vehicle through which the Government's ongoing investment can be held, but will also be available for other public policy initiatives if the Government elects to use it for those purposes and obtains the concurrence of Parliament.

I wish it were feasible for the Government to receive an immediate cash payment for its shares, representing investment capital plus a reasonable rate of return, but market conditions do not make this possible today. As the representatives of an investor holding approximately one-half of CDC's equity (on a fully diluted basis), I also recognize that the disposal of the Government's investment must be carried out with due regard for the need of CDC for new equity investment. Subject to these considerations, I believe as the responsible Minister that a start should be made on the sale of the Government's interest as soon as the markets are favourable and a reasonable investment return is available.

As I have mentioned, the Government would look to the board of directors of the new corporation for guidance on the Government's relationship as an investor in CDC. It is not the purpose of the Government to use its position as a shareholder, direct or indirect, to influence CDC except in a bona fide commercial way. However, until the sale of its holding is substantially complete, the Government has a responsibility to protect and enhance the commercial value of its investment in contemplation of sale. Accordingly, nothing erodes the right of the Government or the new corporation to make use of their position as shareholder in a bona fide commercial way for this purpose.

The CDC board of directors will organize or acquire the new corporation as soon as possible. It will then be for me to determine when to restructure the membership of its board of directors and when to begin to look to that board for advice. At the time of the meeting in June the shareholders of CDC will be asked to approve an application for letters patent amending CDC's charter so that the Government's investment in CDC may be transferred to the new corporation.

The application for letters patent will also contain a provision substituting a maximum of ten per cent for the maximum of three per cent of the total number of the issued and outstanding shares of CDC that may be held by any one shareholder (other than Her majesty in right of Canada) together with persons associated with the shareholder. This ten per cent maximum shall cease to be effective five years after the date the application is approved by the shareholders. Once approved by the shareholders of CDC, the application for letters patent will not be subject to revocation.

The letters patent will become effective upon affirmation by resolution of both Houses of Parliament and will be submitted for their consideration when the parliamentary agenda permits. Alternatively, the Government may elect to proceed by an amending bill to revise the CDC Act. In addition to the provisions outlined above, such a bill would deal with other matters including the continuance of CDC under the Canada Business Corporations Act and the change of its name to some other name to be agreed between us, thereby making the name Canada Development Corporation available for such other use as Parliament may determine. Corollary and related provisions would include, if the Government so elects, an amendment removing the provision of the CDC Act that prohibits the Government from selling shares of CDC if the sale would reduce

the number of shares held by the Government to less than ten per cent of the total number of issued and outstanding voting shares. If the Government elects to proceed with the letters patent, it may at a later date introduce an amending bill as described above.

I believe that the arrangements we have agreed upon are in the best interests of all concerned–the Canadian public, the Government, CDC shareholders, CDC employees and others affected. I trust that they will be successfully implemented.

Yours very truly,

(signed) Jack Austin

Canada Development Corporation,
444 Yonge Street,
Toronto, Ontario.

27th May, 1982

Dear Sirs,

In a separate letter of today's date (the "Reorganization Letter") to Mr. H. A. Hampson, President of Canada Development Corporation ("CDC"), I describe a procedure that will result in the transfer to a new government corporation of shares of CDC currently held by the Government, and the subsequent initiation of a programme of sale of those shares. The board of directors of CDC will arrange a new government corporation that will be wholly owned by the Government, on which Government will rely for guidance as to its investment in CDC and to which, if Parliament and the CDC shareholders approve, shares of CDC will be transferred.

After this procedure is carried out, the relationship of the new government corporation with CDC will be on a commercial basis which, of course, will not in any way affect its legal rights as a shareholder.

It is intended that a start should be made on the sale of the shares of CDC to be owned by the new government corporation as soon as market conditions are favourable and a reasonable investment return is available. The purpose of this letter is to set out certain understandings as to matters relating to such sales. By your acceptance of this letter you confirm that it constitutes a legally binding obligation of CDC. In this letter the term "Government Shares" means the shares of CDC from time to time owned by the Government or by the new government corporation.

While the Government Shares continue to represent more than 10% of the total number of issued and outstanding voting shares of CDC (on a non-diluted basis), the new government corporation will, to the extent feasible, confer with CDC as to any proposal for the sale of Government Shares and will consider requests and representations from CDC in decisions as to such sales.

For its part, CDC will, to the extent feasible, confer with the new government corporation as to any significant proposed financing by CDC and will consider requests and representations from the new government corporation as to such proposed financing.

To facilitate discussions with underwriters and prospective investors, the new government corporation may from time to time require access to information as to the affairs of CDC. That information may be used, for example, in the preparation of an offering memorandum or a prospectus. Upon request, the new government corporation will be provided by CDC with access to information required for such purposes, on the understanding that:

(a) in each case, CDC will be provided with an undertaking from the new government corporation that no improper use will be made of non-public information;

(b) the new government corporation will be responsible for its own costs in collecting the information, including the reasonable out-of-pocket expenses of CDC such as the reasonable costs and charges of any professional advisors whom CDC retains in connection with the request for information.

(c) if the information is to be used in an offering memorandum, prospectus or similar document, CDC will be provided with a reasonable opportunity to review and to comment on the portions of that document based on information concerning CDC. No execution or certification by CDC or its directors and/or officers that may be required need be provided by them if the document does not, in their view, satisfy applicable requirements of law.

Neither the Government nor the new government corporation will purchase any shares of CDC for five years after the transfer of Government Shares to the new government corporation, other than with the consent of the board of directors of CDC, except to protect their position as investors. A purchase shall be considered to be designed to protect the position as investors of the Government or the new government corporation if it is made pursuant to the provisions set out below.

The arrangements described in this letter do not restrict the rights of CDC to raise capital by the issue of securities, but it is agreed that if any such issues would reduce the proportionate voting power attaching to the Government Shares, or their proportionate right to participate in the earnings of CDC, and the new government corporation determines in its sole discretion that the issue would adversely affect the future market value of the Government Shares, then the new government corporation shall be provided with a reasonable opportunity to acquire an appropriate portion of the issue. We have agreed that this right should be defined. In the following description the term "participating security" includes any security of CDC that carries voting rights in an election of directors of CDC, or that carries a dividend or interest entitlement that varies with earnings or is determined from time to time in the discretion of the directors (it being understood that a security is not a participating security solely by reason of carrying a fixed dividend or interest entitlement payable solely if earned). The term participating security also includes any security that provides a right to acquire such a security–e.g., an option, warrant or convertible instrument.

While the new government corporation continues to hold more than 10% of the total number of issued and outstanding voting shares of CDC (on a non-diluted basis), CDC will provide the new government corporation with reasonable advance notice as to the proposed issue of any participating security, except pursuant to a dividend reinvestment plan or to a stock option plan approved by shareholders. If the new government corporation determines that the issue would adversely affect the future market value of the Government Shares, then the new government corporation shall have the rights of participation described below and may exercise them by written notice to CDC. The new government corporation recognizes that it would be helpful to CDC for the new government corporation to decide as early as feasible in the planning process whether to make the determination and that it will work with CDC to that end, but the new government corporation shall not be obligated to make that decision until five business days after being provided with full details, including price and terms, of the issue.

Where the new government corporation makes the determination described in the preceding paragraph as to an issue, the new government corporation shall have the right to acquire securities of the same issue, and of the same terms, in an amount or number up to what is required to preserve its position and for a consideration no less favourable to the new government corporation

than that for which the issue of securities is being made to others, without being reduced by the amount of any discount or commission in connection with the issue. If the securities are participating securities because they are common shares or carry the right to acquire common shares, then the amount or number that will preserve the position of the new government corporation is such amount or number as (on the assumption that all outstanding privileges of conversion into, or acquisition of, common shares are exercised) would enable the new government corporation to be the owner of the same proportion of the common shares of CDC that the new government corporation owned prior to the issue (on the same assumption). If the securities are participating securities of some other type, the amount or number required to preserve the position of the new government corporation shall be determined by agreement between the new government corporation and CDC on the same principle.

The procedures on the basis of which the new government corporation will determine whether to make the determination described above as to a proposed issue shall be agreed between the new government corporation and CDC as to each such issue, taking into account the circumstances of that issue. Accordingly, their respective representatives will work together in good faith when an issue is proposed, in order to put the new government corporation in a position to make its decision on an informed basis without delaying the issue. It is acknowledged that the new government corporation will require the maximum feasible time within which to make a decision, not ordinarily to be less than two weeks after it is provided with details of the issue including a relatively precise indication of the size, price and other terms relevant to price. If such information is not provided within the time frame contemplated above, the new government corporation may, by written notice to CDC, require that the issue not be effected until five business days after the new government corporation has been given full details of the issue, including size, price and other terms.

It is also acknowledged that CDC may from time to time find it necessary to make decisions expeditiously. If the board of directors of CDC by resolution determines that the exigencies of a particular situation require that an issue of participating securities be made in circumstances that preclude the procedure described in the preceding paragraph, CDC may proceed with the issue on such notice to the new government corporation as is reasonably feasible. If the new government corporation then makes the determination described above with respect to the issue, then CDC shall provide the new government corporation with the opportunity to purchase the amount or number of participating securities required to satisfy its rights hereunder.

Failing agreement as to any matter relating to the rights of the new government corporation under the above provisions as to participating shares, either party may require that the matter be resolved by arbitration by a mutually agreed investment dealer.

The new government corporation will, of course, participate fully in shareholders' meetings of CDC, exercising its voting rights as to the election of directors and other matters, as the Government has done in the case of CDC. This includes the right to nominate and support candidates for election as directors of CDC. Without restricting or limiting that right or any other right or remedy available to the new government corporation as a shareholder of CDC so long as the new government corporation holds more than 10% of the issued and outstanding voting shares of CDC, and so long as the responsible Minister does not exercise the right under Section 40 of the CDC Act, the new government corporation may from time to time designate up to four qualified individuals as nominees for election to the board of directors of CDC. The individuals so designated will be put forward by management of CDC in the next information circular relating to the election of directors as candidates supported by management, and they will receive management support in the election.

If shares of CDC are held both by the Government and by the new government corporation, those shares shall be cumulated in the application of the preceding provisions of this letter. CDC will not exercise its right under 36 (1) (b) of the CDC Act to redeem the Government's shares without the consent of the Government or of the new government corporation.

If the foregoing properly reflects your understanding of the arrangements between us, it would be appreciated if you would sign and return the enclosed copy of this letter. The letter will be submitted for ratification by shareholders of CDC at the coming meeting of shareholders and will not be binding on either of us unless ratified by a majority of not less than two-thirds of the votes cast. The Government does not intend to participate in this vote.

Yours very truly,

(signed) Jack Austin

THE FOREGOING PROPERLY REFLECTS OUR UNDERSTANDING OF THE ARRANGEMENTS BETWEEN US.

CANADA DEVELOPMENT CORPORATION

Per: (signed) H. Anthony Hampson

Per: (signed) Pierre Côté

The Hon. Jack Austin
Minister of State
Minister's Office
12th Floor
151 Sparks Street
Ottawa, Ontario
K1A 0H4

May 27, 1982

Dear Senator Austin:

I want to thank you for your letter of today's date and let you know how pleased I am at how our long series of discussions has turned out.

I believe everyone gains through the arrangements we have just made: uncertainties about the CDC's status as a commercial enterprise are removed; the long-term value of all its shareholders' investments–including those of the government–is enhanced; and the government obtains a wholly-owned vehicle which can give it advice or assistance not only on its investment in CDC but also on broader business-related issues.

Completion of CDC's move into the private sector–always contemplated in the CDC Act–should go far to convince those that doubt government's willingness to withdraw from programs or even regulations once their original purpose has been achieved. I can assure you that the Board and I will do our best to make that withdrawal a successful and profitable one!

With many thanks for the straight-up way in which our discussions were always conducted, even in the difficult moments when we had genuine differences of opinion as to how best to reconcile the many different points of view involved.

With every good wish,

Yours sincerely,

(signed) H. Anthony Hampson
President and Chief Executive Officer

TEN YEAR FINANCIAL SUMMARY

NET INCOME

		1982	1981	1980
Revenues	Sales of products and services	**$3,863,172**	$3,049,691	$2,305,710
	Other income	**148,094**	86,660	53,510
		4,011,266	3,136,351	2,359,220
Expenses	Cost of sales	**3,091,681**	2,452,809	1,792,869
	Selling, administration and research	**573,102**	329,216	271,164
	Interest on long-term debt	**390,832**	164,848	39,086
	Other interest	**82,671**	59,651	38,750
		4,138,286	3,006,524	2,141,869
		(127,020)	129,827	217,351
Equity in earnings of other companies		**7,902**	70,587	102,256
Income (loss) before income taxes and other items		**(119,118)**	200,414	319,607
Translation (gains) losses		**1,030**	15,323	(9,074)
Income taxes (recovery)		**(37,600)**	47,218	81,818
Minority interest in income of subsidiary companies		**43,225**	65,365	57,795
		6,655	127,906	130,539
		(125,773)	72,508	189,068
Unusual items			(12,595)	
Net income (loss)		**$ (125,773)**	$ 85,103	$ 189,068

FINANCIAL POSITION

		1982	1981	1980
Assets	Working capital	**$ 659,633**	$ 784,126	$ 616,872
	Fixed assets (net)	**5,359,748**	4,839,933	1,311,883
	Long-term investments	**220,057**	154,575	686,679
	Other assets	**269,938**	209,182	161,333
		6,509,376	5,987,816	2,776,767
Liabilities	Long-term debt	**4,540,947**	3,862,001	609,340
	Deferred taxes	**174,639**	220,947	174,464
	Interests of minority shareholders	**681,924**	634,753	673,984
		5,397,510	4,717,701	1,457,788
Shareholders' Equity	Preferred equity	**432,576**	432,579	538,191
	Common equity	**679,290**	837,536	780,788
		$1,111,866	$1,270,115	$1,318,979

CHANGES IN FINANCIAL POSITION

		1982	1981	1980
Derived from	Cash flow from operations	**$ 169,372**	$ 318,710	$ 331,310
	Other sources of funds	**773,518**	2,670,094	480,363
		942,890	2,988,804	811,673
Applied to	Investments	**14,001**	1,928,215	113,346
	Capital expenditures	**720,889**	565,319	232,209
	Dividends on preferred shares	**33,340**	34,826	21,795
	Dividends to minority shareholders	**52,801**	61,821	51,675
	Other uses of funds	**246,352**	231,369	206,461
	Changes in working capital	**(124,493)**	167,254	186,187
		$ 942,890	$2,988,804	$ 811,673

STATISTICS

		1982	1981	1980
Per common share	Earnings (loss)	**$(4.52)**	$1.46	$5.13
	Fully diluted earnings		$1.25	$3.52
	Cash flow from operations	**$ 3.86**	$8.24	$9.51
	Fully diluted cash flow from operations	**$ 2.51**	$4.72	$6.25
Ratios	Return on common equity		6.2%	24.1%
	Working capital ratio	**1.6:1**	1.7:1	1.9:1
	Debt/equity ratio	**4.1:1**	3.0:1	0.5:1
Other	Common shares outstanding at year-end	**35,382,010**	35,036,918	32,929,400

1979	1978	1977	1976	1975	1974	1973
$1,965,914	$1,342,129	$741,236	$595,557	$469,605	$454,204	$285,029
48,998	23,343	15,278	13,755	13,055	9,610	11,651
2,014,912	1,365,472	756,514	609,312	482,660	463,814	296,680
1,529,040	1,087,451	579,966	471,751	373,170	336,701	220,846
225,792	164,576	107,514	88,016	81,002	69,209	40,909
37,563	29,937	17,402	9,657	10,255	10,994	4,835
19,519	16,731	10,056	8,533	7,789	5,576	5,441
1,811,914	1,298,695	714,938	577,957	472,216	422,480	272,031
202,998	66,777	41,576	31,355	10,444	41,334	24,649
43,372	14,353	13,371	14,067	27,474	40,210	6,757
246,370	81,130	54,947	45,422	37,918	81,544	31,406
18,739	(10,455)	(6,825)	4,428	(344)	1,536	(625)
63,693	22,117	19,197	12,054	8,358	8,472	6,601
40,568	26,179	6,006	4,610	3,285	175	30
123,000	37,841	18,378	21,092	11,299	10,183	6,006
123,370	43,289	36,569	24,330	26,619	71,361	25,400
		7,773	(320)	1,525	13,702	6,728
$ 123,370	$ 43,289	$ 28,796	$ 24,650	$ 25,094	$ 57,659	$ 18,672
$ 430,685	$ 412,598	$ 69,422	$ 89,459	$157,140	$128,891	$ (23,588)
1,149,229	1,081,603	1,031,955	766,349	502,792	216,271	169,263
509,268	420,926	404,584	403,769	352,257	330,986	296,194
139,264	130,381	91,150	57,678	41,734	29,155	37,534
2,228,446	2,045,508	1,597,111	1,317,255	1,053,923	705,303	479,403
539,840	500,511	687,322	471,850	253,703	137,439	122,803
101,845	51,452	39,399	29,132	21,492	9,744	7,166
734,428	745,690	146,932	102,719	73,218	11,172	5,060
1,376,113	1,297,653	873,653	603,701	348,413	158,355	135,029
244,768	244,780	244,780	244,781	242,534	100,000	
607,565	503,075	478,678	468,773	462,976	446,948	344,374
$ 852,333	$ 747,855	$ 723,458	$ 713,554	$ 705,510	$546,948	$344,374
$267,334	$142,158	$ 94,305	$ 65,408	$ 38,730	$ 58,130	$ 35,187
114,442	854,321	271,139	272,383	327,965	191,676	196,172
381,776	996,479	365,444	337,791	366,695	249,806	231,359
56,169	18,654	7,404	47,621	107,821	1,989	310,683
132,774	102,207	305,096	294,540	192,658	74,268	30,814
17,332	17,332	17,332	17,296	8,592	4,750	
51,831	29,591	4,335	4,322	3,206		
105,583	485,519	51,314	41,693	25,669	16,320	20,420
18,087	343,176	(20,037)	(67,681)	28,749	152,479	(130,558)
$381,776	$996,479	$365,444	$337,791	$366,695	$249,806	$231,359
$3.42	$0.84	$0.37	$0.24	$0.54	$1.84	$0.88
$2.45	$0.78					
$8.05	$4.06	$2.50	$1.59	$0.99	$1.86	$1.66
$5.44	$2.84	$1.84	$1.24	$0.69	$1.45	$1.66
19.1%	5.3%	2.4%	1.6%	3.6%	12.9%	6.3%
1.7:1	1.8:1	1.1:1	1.3:1	1.7:1	1.7:1	0.9:1
0.6:1	0.7:1	1.0:1	0.7:1	0.4:1	0.3:1	0.4:1
32,161,336	30,712,170	30,712,158	30,712,038	30,712,038	29,756,989	25,677,009

CDC SHARES ON THE STOCK MARKET

COMMON SHARES
(Ticker symbol: CDC)

At the end of 1982, 35,382,010 common shares were outstanding of which 4,670,020 were registered in the name of 16,759 Canadian citizens or residents, according to the following distribution:

Location	Shareholders Number	%	Shares Number	%
British Columbia	2,539	15.2	672,098	14.4
Alberta	1,539	9.2	431,812	9.3
Saskatchewan	734	4.4	82,221	1.8
Manitoba	624	3.7	314,964	6.7
Ontario	8,605	51.3	2,376,779	51.0
Québec	1,691	10.1	638,855	13.7
New Brunswick	345	2.1	42,495	0.9
Nova Scotia	459	2.7	89,326	1.9
Prince Edward Island	75	0.5	6,247	0.1
Newfoundland	55	0.3	7,120	0.2
Territories	19	0.1	3,207	–
Outside Canada	74	0.4	4,896	–
Total	**16,759**	**100.0**	**4,670,020**	**100.0**

The Government of Canada owns 30,711,990 common shares. This holding represents 86.8% of the common shares outstanding and carries 48.2% of the votes at shareholder meetings.

During 1982 the number of common shares available for trading increased by 345,092 as a result of conversions of Class B preferred shares and purchases through CDC's shareholder investment program.

During the year, 1,748,641 common shares were traded on the stock exchanges representing 37.4% of the shares available for trading compared with 75.1% in 1981. Prices on the Toronto Stock Exchange fluctuated as follows:

	High	Low	Close
4th quarter 1982	8 1/4	5 1/8	6
3rd quarter 1982	6 3/4	4 2/5	5 3/4
2nd quarter 1982	7	4 1/4	4 3/4
1st quarter 1982	9 1/2	5 5/8	5 3/4
Full year 1981	16 3/8	8	9 1/2

CDC has not paid dividends on its common shares since issue and future dividend policy will be determined by the Board of Directors taking into account such factors as the earnings and cash requirements of CDC.

CLASS B PREFERRED SHARES
(Ticker symbol: CDC PrB)

At the end of 1982, 1,325,759 Class B preferred shares were registered in the name of 11,821 Canadian citizens or residents according to the following distribution:

Location	Shareholders Number	%	Shares Number	%
British Columbia	1,827	15.5	133,369	10.1
Alberta	944	8.0	110,320	8.4
Saskatchewan	549	4.7	48,297	3.6
Manitoba	393	3.3	159,023	12.0
Ontario	6,224	53.0	671,578	50.7
Québec	1,193	10.2	153,024	11.5
New Brunswick	219	1.9	10,606	0.8
Nova Scotia	302	2.6	32,349	2.4
Prince Edward Island	49	0.4	1,600	0.1
Newfoundland	46	0.4	3,655	0.3
Territories	11	–	270	–
Outside Canada	64	–	1,668	0.1
Total	**11,821**	**100.0**	**1,325,759**	**100.0**

Each Class B preferred share is convertible into 10 common shares. During the year, 533,962 Class B preferred shares were traded on the stock exchanges being 40.3% of the shares outstanding, compared with 32.5% in 1981. Prices on the Toronto Stock Exchange fluctuated as follows:

	High	Low	Close
4th quarter 1982	96 1/8	89	93 1/2
3rd quarter 1982	91 1/8	79	90 1/8
2nd quarter 1982	89 1/2	78 1/2	79 3/4
1st quarter 1982	99	79 1/4	86
Full year 1981	164	89 3/4	99

A dividend of $2.00 per Class B preferred share is payable on the first of January, April, July and October. Each share may be converted at any time at the holder's option into ten common shares. Class B preferred shares are redeemable at the option of the holder at the original issue price of $100 each from October 2, 1985 to October 1, 1986 or at the option of CDC at a price of $103 per share since Oct. 2, 1982 reducing by $1 per share on the second day of October in each year until October 2, 1985 when they become redeemable at $100 per share.

BASIC INFORMATION FOR CDC SHAREHOLDERS

1980 PREFERRED SHARES
(Ticker symbol: CDC 1980)

At the end of 1982, 15,000,000 CDC 1980 preferred shares were registered in the name of 21,365 Canadian citizens or residents according to the following distribution:

Location	Shareholders Number	%	Shares Number	%
British Columbia	4,045	18.9	2,131,010	14.2
Alberta	1,548	7.3	939,255	6.3
Saskatchewan	685	3.2	281,830	1.9
Manitoba	749	3.5	742,569	5.0
Ontario	10,534	49.3	8,329,470	55.5
Québec	2,345	11.0	1,819,585	12.1
New Brunswick	595	2.8	349,726	2.4
Nova Scotia	705	3.3	324,245	2.1
Prince Edward Island	61	0.3	24,200	0.1
Newfoundland	60	0.3	18,510	0.1
Territories	9	–	27,750	0.2
Outside Canada	29	0.1	11,850	0.1
Total	**21,365**	**100.0**	**15,000,000**	**100.0**

During the year, 4,044,710 1980 preferred shares were traded on the stock exchanges which is 27% of the shares outstanding compared with 33.9% the year before. Prices on the Toronto Stock Exchange fluctuated as follows:

	High	Low	Close
4th quarter 1982	13 7/8	12 1/4	13 3/8
3rd quarter 1982	13 3/8	9 5/8	12 1/2
2nd quarter 1982	14	9 5/8	10
1st quarter 1982	15	11 5/8	13
Full year 1981	23 7/8	13 1/8	14 5/8

A dividend of 38¢ for each 1980 preferred share is payable on the first of February, May, August and November. 1980 preferred shares are convertible at the option of the holder into common shares until October 15, 1990 on the basis of 1.27 common shares for each 1980 preferred share converted; the effective conversion price is thus $15.75 per common share. 1980 preferred shares are redeemable at the option of CDC from October 15, 1985 at a price beginning at $21.20 per share and declining by 20¢ on the 15th day of each October until October 15, 1990 and thereafter when they are redeemable at par. Between October 15, 1983 and October 14, 1985, CDC has the right to redeem the 1980 preferred shares at $21.20 per share provided the current market price of the common shares is not less than $19.69 on the day that notice of such redemption is first given.

LISTING AND TRANSFER AGENT

CDC common, Class B and 1980 preferred shares are listed on all Canadian stock exchanges. The transfer agent is National Trust Company Limited at its principal offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal, and its agent, The Royal Trust Company, at its principal office in Halifax.

HOW WE COMMUNICATE WITH YOU:

CDC wants its shareholders to be fully informed about their Company's activities. To this end, we send shareholders regular information through the mails.

Annual Report – The annual report is mailed to shareholders in April. In addition to reporting on the financial position of the Corporation, the annual report is meant to provide a general overview of what CDC is and how it operates. If you want additional copies, they are available on request.

Some companies in the CDC group publish their own annual reports. If you would like to receive the annual reports of Canterra Energy, Kidd Creek Mines, Polysar or Savin Corporation, please write to:

Director, Public Affairs and Communications
Canada Development Corporation
Suite 200–444 Yonge Street
Toronto, Ontario
M5B 2H4

Quarterly Reports – Quarterly reports are issued about six weeks after the end of the first quarter (March 31), the second quarter (June 30) and the third quarter (September 30). Each issue provides a financial picture of the Corporation at the end of the relevant quarter as well as information on developments in CDC companies.

Additional news is disseminated to shareholders through special mailings and press announcements. On behalf of shareholders, we carry out a regular communications program with stock market analysts and investment dealers to ensure that they keep fully informed on corporate developments..

HOW YOU MAY COMMUNICATE WITH US:

If you wish to notify us of a change of address – Use the convenient change-of-address form that accompanies each dividend cheque. If you don't have one, write to the address below, giving your old address, exactly as it appears on our mailings to you, and your new address.

Shareholder Services Department
Canada Development Corporation
Suite 2272–200 Granville Street
Vancouver, B.C. V6C 1S4

If you lose your share certificate or dividend cheque – Write to the above address, providing your name and/or initials exactly as they appear on your stock certificate or cheques. If you can also provide your certificates number or shareholder account number it will help us, although it is not absolutely necessary.

To eliminate duplications – Are you receiving two or more copies of our mailings, such as quarterly reports? One cause of this may be that you have purchased CDC shares on two or more separate occasions, using a minor variation in your name (i.e., John J. Smith the first time and J.J. Smith the second time) or a different address. In such a case, we could be treating this as two separate accounts. In order to save money, we would like to eliminate such duplication. If you receive duplicate mailings, please send us the address portion from each envelope,

SHAREHOLDER INVESTMENT PROGRAM

indicating which is the preferred version of your name or address. We shall then consolidate your accounts into one.

If you wish to change or alter the name on your share certificate write directly to the trust company office noted below – You may wish to change the way your shares are registered if you change your name through marriage, the name on the certificate is not the name you prefer to use, or you decide to give or sell your shares to someone else. In such cases, be sure to complete the reverse side of your share certificate first, then send it by registered mail to: Transfer Department, National Trust Company, in any of the following cities: Vancouver, Calgary, Winnipeg, Toronto or Montreal or to Royal Trust Company in Halifax.

The Annual Meeting – CDC usually holds its annual general meeting of shareholders on the third or fourth Thursday in May. At these meetings, shareholders elect directors to manage the affairs of their Corporation, appoint auditors and conduct any other business that is properly brought before the meeting.

CDC shareholders live in many parts of Canada. To facilitate their participation in the affairs of the Corporation, we hold annual meetings in a different city each year so that over time all shareholders will have an opportunity to attend. The 1983 Annual General Meeting will be held in the Westin Bonaventure Hotel, 1 Place Bonaventure, Montreal on May 19 beginning at 11:45 a.m. In 1984 and 1985, our meetings are planned for Calgary and Toronto respectively.

Notice of Meeting, Information Circular, Proxy Card – Registered shareholders receive at least three weeks before the date of the Annual General Meeting, three pieces of information:

The Notice of Meeting provides the exact time and place of the Annual Meeting.

The Information Circular outlines business to be discussed at the meeting. It includes brief notes on the business associations of all directors standing for election, gives details of their CDC share ownership, and provides other information on the remuneration of officers and directors.

The Proxy Card entitles you to record your vote on key issues to be decided upon by shareholders at the meeting, even though you are unable to attend. We urge you to exercise that vote, regardless of how small your shareholding may be.

In some cases, your investment dealer or bank will hold your shares in their name on your behalf. Normally, the notice, information circular and proxy will be forwarded to you. If this material has not been sent, you can call and remind your investment dealer to have it mailed. Or you can have your shares registered in your name with your personal address to ensure timely receipt of all communications.

Through its SHAREHOLDER INVESTMENT PROGRAM, the Corporation offers shareholders three convenient plans for obtaining additional CDC common shares.

Dividend Reinvestment Plan: Acquire common shares with REINVESTED CASH DIVIDENDS, paid on 1980 preferred and Class B preferred shares.

Stock Dividend Plan: Acquire common shares as STOCK DIVIDENDS issued in lieu of cash dividends declared on 1980 preferred and Class B preferred shares.

Share Purchase Plan: Acquire common shares with OPTIONAL CASH CONTRIBUTIONS.

Advantages of the program are that: (a) the purchase of shares on your behalf is automatic and requires no actions on your part; (b) you do not pay brokerage commissions or administration fees; and (c) under the Dividend Reinvestment Plan, you purchase common shares at 95% of the average market price.

Each plan has different income tax consequences. For the best advice on which plan is most suitable, professional counsel should be sought. To help explain the shareholder investment program in more detail, a detailed offering circular has been prepared. For a copy, please write or phone:

Shareholder Services Department
Canada Development Corporation
Suite 2272–200 Granville Street
Vancouver, B.C. V6C 1S4
Telephone: (604) 682-0441

Contributions during 1982 – The SHAREHOLDER INVESTMENT PROGRAM has been well received by CDC shareholders. At December 31, 1982, there were 6,204 shareholders participating in one of the three plans, an increase of 11% from December 31, 1981. This number represents 19.5% of all CDC shareholders.

Under the shareholder investment program, CDC issued 344,812 common shares for a total consideration of $2,063,768. The average price paid by shareholders reinvesting their dividends was $6.21 per share while the average price for shares purchased with cash contributions was $6.45.

CORPORATE INFORMATION

HONORARY CHAIRMAN AND DIRECTOR EMERITUS

A. John Ellis
Vancouver, British Columbia

DIRECTORS

Philippe de Gaspé Beaubien
Chairman and Chief Executive Officer
Télémedia Communications Inc.
Montreal, Québec

Laurent Beaudoin*
Chairman and Chief Executive Officer
Bombardier Inc., Montreal, Québec

John Bruk
Lawyer
Vancouver, British Columbia

Pierre Côté*
Chairman of the Board
Celanese Canada Inc., Montreal, Québec

H. Anthony Hampson*
President and Chief Executive Officer
Canada Development Corporation
Toronto, Ontario

Gordon F. Hughes
President
Ocean Company Limited
Windsor, Nova Scotia

Douglas N. Kendall*
Corporate Director
Toronto, Ontario

Murray B. Koffler
Chairman
Shoppers Drug Mart Limited,
Willowdale, Ontario

Mrs. Mary Lamontagne**
Corporate Director
Québec City, Québec

Sydney Maislin**
Chairman of the Board
Maislin Industries Ltd., Lasalle, Québec

Paul E. Martin
President and Chief Executive Officer
The CSL Group Inc., Montreal, Québec

John R. McCaig
Chairman and Chief Executive Officer
Trimac Limited, Calgary, Alberta

William C.Y. McGregor**
National President, Brotherhood of Railway,
Airline and Steamship Clerks
Ottawa, Ontario

J. William E. Mingo Q.C.**
Partner, Stewart, MacKeen & Covert
Halifax, Nova Scotia

Maurice J. Moreau**
Executive Vice President and Chief
Operating Officer
Eldorado Nuclear Limited, Ottawa, Ontario

Frederick W. Sellers*
Chairman
Dionian Industries Limited
Winnipeg, Manitoba

John G. Sheppard
Vice Chairman, Dofasco Inc.
Hamilton, Ontario

Maurice F. Strong*
Chairman
Canada Development Investment
Corporation, Vancouver, British Columbia

Dr. Catherine Wallace
Corporate Director
Fredericton, New Brunswick

Allan F. Waters*
President
CHUM Limited, Toronto, Ontario

John R. Croll (ex-officio)*
Economic Policy Advisor
Minister of State for Social Development
Vancouver, British Columbia

Robert C. Montreuil (ex-officio)
Deputy Minister, Department of Regional
Industrial Expansion, Ottawa, Ontario

*Member of the Executive Committee
**Member of the Audit Committee

OFFICERS

Frederick W. Sellers
Chairman of the Board

Pierre Côté
Vice Chairman of the Board

H. Anthony Hampson
President and Chief Executive Officer

Serge Gouin
Executive Vice President

John B. Hague
Executive Vice President

Claude R. Marchand
Senior Vice President and Secretary

Gerald T. McGoey
Senior Vice President and
Chief Financial Officer

Jerry W. Bliley
Vice President

James D. Ellis
Vice President

Nigel G.D. Gray
Vice President and General Counsel

Peter S. Gray
Vice President and Controller

Brian M. King
Vice President

Norma Michael
Vice President
Business Development & Planning

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